



CONTRACT MANAGEMENT PRINCIPLES

The purpose of this document is to identify a set of Cross Government principles that underpin our approach to contract management. These principles complement Departmental contract management manuals / guidance.

- 1. Ensure that contracts are known and understood by all those who will be involved in their management.** Make sure that adequate resource is identified and appointed well before award of contracts and that there is an effective handover or transition from sourcing to contract management.
- 2. Be clear about accountability, roles and responsibilities.** Ensure contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities at appropriate levels of seniority. Make sure contracts have a documented Contract Management Plan.
- 3. Establish and use strong governance arrangements to manage risk and enable strategic oversight;** ensure that governance structures are proportionate to size and risk of contracts, are suitably empowered and support the business outcomes and objectives. Understand and use contractual options such as appointment of Remedial Advisor, Rectification Plans and Step In rights. Ensure appropriate business continuity and contingency plans are in place.
- 4. Adopt a differentiated approach based on risk;** distinguish between tactical and strategic contracts, direct the most/strongest resource to contracts where the risks and rewards are highest. Consider a 'self-managing' approach with exception reporting for lower risk contracts.
- 5. Manage contracts for business/public service outcomes;** the owners of the required outcomes should be accountable for successful contract performance and should work closely with commercial staff to manage contracts. Focus on successful outcomes and take account of public service and accountability obligations and risks.
- 6. Accept that change will happen and plan for it;** develop flexible approaches to change through joint working with suppliers; accept that change will affect both parties during the contract life, but control costs with robust change control mechanisms. Ensure that senior level assurance and controls are in place to prevent changes from altering the strategic intent of the contract.
- 7. Measure and report on performance and use KPIs and data efficiently to incentivise good performance;** administer contracts proactively and efficiently, making maximum use of benchmarking and performance measurement data. Use a balanced scorecard to measure 'hard' data such as KPI performance alongside 'soft' measures e.g. customer satisfaction and relationship management, with a focus on achievement of outcomes. React quickly to issues when they arise. Ensure KPIs and incentives are appropriate and proportionate to the contract.

Challenge KPIs and incentives regularly and ensure a mechanism to change and evolve them through the life of the contract.

- 8. Drive continuous improvement, value for money and capture innovation;** actively use contract tools and provisions to leverage the relationship, continually drive value for money and seek out and implement innovative ideas for improvement.
- 9. Accept that successful delivery of major projects is best achieved through a single fully integrated team** where the supplier and the client work as a single team with one focus, delivery of the successful outcomes.
- 10. Ensure that links are made with organisation and/or government wide SRM programmes;** work closely with the Crown Commercial Service to establish where suppliers are covered within SRM programmes and make sure that performance and relationship issues are captured. Be aware of the broader relationship between the department, the Crown, and the supplier.
- 11. Adopt and encourage mature commercial behaviours;** understand what drives suppliers behaviour and know how to assess profit vs. excess profit; be open and receptive to ideas, explore and use appropriate commercial structures (e.g. alliances), but remain competent and robust in protecting the Crown's commercial position and driving value for money. Use open book and audit provisions with confidence. Use the Crown Commercial Service's Model Service Contract where appropriate.