



Crown
Commercial
Service

CONTRACT MANAGEMENT FRAMEWORK SUMMARY

The purpose of this document is to provide a summary of the fundamental activities to be undertaken during the operational phase of the contract. This is based on the *NAO Good practice contract management framework, December 2008*

(<http://www.nao.org.uk/report/good-practice-contract-management-framework-2-2/>)

and Areas 1 – 8 were used as the Contract Management Checklist to assess the contract management arrangements as part of the Cross Government Review of Major Contracts.

Not all of the 11 areas are equally relevant to all contracts. Generally, the more developmental and strategic areas and activities (areas 8 to 11) become increasingly important the higher the contract risk and the greater the opportunity to add value.

Background

In 2013 the Cabinet Office commissioned the Cross Government Review of Major Contracts to assess the management of major contracts held by G4S and Serco.

The Review used the following summary (**Areas 1 - 8**) to investigate and report on the appropriateness of processes and the capability and skills of staff, including with respect to:

- i. The controls over payment authorisation;
- ii. The contract management performance monitoring activities;
- iii. The verification of chargeable events or activities;
- iv. Reporting relationships and oversight of senior management; and
- v. Response to challenges to and queries raised with suppliers.

For completeness Areas 9 – 11 that are included in the original NAO framework have been added to this summary but were not part of the Review.

PLANNING
Area 1: Planning & Governance
1. Contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities. There is a clear contract management plan which involves appropriately senior people at each level.
Area 2: People
2. Contract management is adequately resourced in proportion to the importance of the contract and the skills make-up of the team reflects the nature of the contract. The team have the range of skills, capability and experience to effectively and efficiently discharge their roles and responsibilities and are appropriately performance managed.
Area 3: Administration
3. An up to date (annotated with relevant agreed changes) hard copy contract is stored, logged and easily accessible with an operating manual where appropriate. All relevant correspondence in relation to contract changes is stored and easily accessible.
DELIVERY
Area 4: Managing Relationships
4. The relationship between both parties is clear and well defined , responsibilities are documented, there are structural and informal communication routes that include other stakeholders outside the contract manager (users of the contract, technical experts etc).
Area 5: Managing Performance
5. There is a comprehensive performance management framework in place with meaningful metrics and suppliers receive regular and routine feedback on their performance both formal and informal.
6. Clear documented processes are in place for managing problems efficiently and effectively. There is clear documentation of any disputes and their resolution.
Area 6: Payment & Incentives
7. There are appropriate defined mechanisms and processes to ensure that payments are made to the supplier in line with the contract including validation such as spot checks on invoices.
8. There are defined mechanisms and processes that are managed to ensure appropriate incentives relating clearly to outcomes. Where open-book or similar financial/pricing mechanisms are used open-book accounts can be mapped to real accounting events and internal reports in the supplier organisation.
Area 7: Risk
9. There is a risk management policy and risks are subject to ongoing review and assessment in line with organisational risk management processes. There is clear understanding by both parties of who is best placed to manage risks.
DEVELOPMENT
Area 8: Contract Development
10. Contract management staff understand the contractual terms including contract extension (services and duration), termination warranties, indemnities, insurance, security and confidentiality and dispute resolution.
11. Clear documented processes and governance are in place to manage contract changes and any changes are communicated and understood by both parties.
Area 9: Supplier Development
12. Processes are in place that clearly set out how supplier development activities will be planned, managed and governed. Clear processes for benefits measurement and capture are in place to ensure that supplier development is focused on continuous improvement and achieving value.

13. There is an understanding of what **motivates and drives the supplier** and development is aligned with the supplier's goals. **Joint working or shared activities between the two parties benefit both**. There are shared risk reduction programmes or activities and shared management activities to **drive performance improvement**.

Area 10: Supplier Relationship Management

14. A **supplier relationship management programme** is planned and structured with appropriate governance and **senior ownership**. The programme **considers all the supplier's interactions** across the organisation and across government, including **working with the Crown Representatives**. There is a **focus on continuous improvement and capturing innovation** with a clear sense of what value is to be generated for both parties.

Area 11: Market Management

15. Market intelligence is used to maintain an understanding of the market and of alternative suppliers to inform benchmarking, contingency planning and strategies for future delivery. Exit planning and a strategy for when the contract ends is put in place in a timely manner and includes input from the contract manager.

16. The capacity and capability of potential suppliers is analysed, and linked to wider government analysis. There is ongoing evaluation of emerging technologies and practices, and identification of opportunities from both immediate and parallel market sectors. Market making is undertaken where appropriate to stimulate competition and ensure that requirements can be delivered by the market.