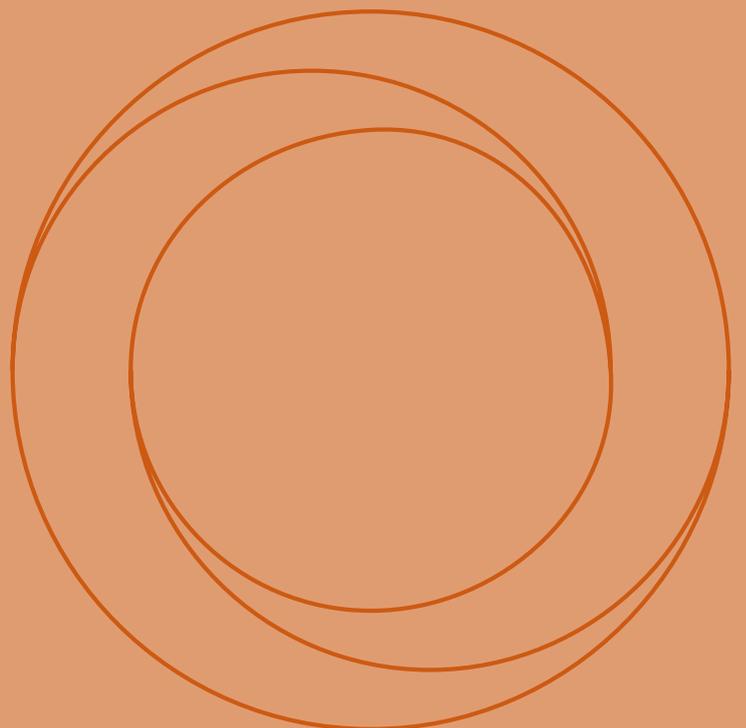HM Government

The Contract Management Playbook

Government guidance on the effective management of contracts

March 2026

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Foreword

The central function of government is to deliver outstanding public services, whether that is in-house or outsourced via our contracts. Around one-third of public sector spend is with private suppliers, therefore, improving our management of these contracts will directly correlate with better value for money and outcomes for the public. The previous commercial Playbooks have successfully implemented policies which focus on the sourcing and procuring stages of the commercial life cycle. In order to fully realise the benefits of 'getting it right at the start', there needs to be effective management of the contract through the whole of the life cycle.

The "Plan for Change" sets out the government's ambitious goals aimed at improving the lives of working people across the country. These include boosting the economy, making the NHS ready for the future, ensuring safer streets, providing opportunities for all, and turning Britain into a clean energy leader. Effective contract management is key to achieving these missions, as it ensures taxpayer money is used properly to achieve these goals and deliver vital projects efficiently. Improving our ability to manage these contracts will allow us to build new homes quicker, reduce NHS waiting times, increase police presence, and advance our clean energy initiatives.

The Contract Management Playbook provides best practice guidance for a wide range of contract management activities spanning the whole commercial lifecycle in order to make 'let and forget' culture a thing of the past. The Playbook sits alongside and supports the four existing Playbooks that focus on sourcing and procurement. This new document covers areas such as: managing contract delivery, change, risk and supplier/stakeholder relationships, managing contract exit and inputting into the design of subsequent contracts. These are vital elements of the commercial life-cycle and can make a difference between the success and failure of vital services and infrastructure projects. The new Procurement Act 2023 reinforces the importance of these contract management activities with new post-award obligations.

Contracting authorities are encouraged to use the Playbook to better understand how to boost contract management capability and capacity, and get the best out of their contract management teams. Cabinet Office, through the Contract Management Capability Programme (CMCP), has acted together with colleagues across the Civil Service to strengthen capability through training.

This Playbook complements the CMCP training by offering practical guidance to support delivery and drive improvements on the following key policies:

1. Develop a contract management strategy.

2. Establish effective governance processes and assign accountability.

3. Invest in contract managers' capability and capacity.

4. Invest in appropriate tools, systems, and software.

5. Use an outcome-based approach.

6. Proportionality: take different approaches for different contracts.

7. Build strong relationships that drive positive outcomes.

8. Maintain continuity throughout the life of the contract.

9. Take advantage of the opportunities of change.

10. Collaborate to create opportunities, shared value and manage risks.

11. Input into the pre-award stages: complete the circle.

Across government there are many different functions and professions involved in contract management activities and, in recognition of this, the Playbook is designed to be useful for anyone involved in the management of contracts. A holistic view of all the activities involved is offered to support continuity in the management of contracts. Although, proportionality is vital for considering how to enact these effectively.

The Procurement Act 2023 further supports these outcomes by creating a simpler and more transparent procurement process with more commercial flexibility that will deliver better value for money and reduce costs for business and the public sector.

We are grateful to all those who contributed and delighted to support the new Contract Management Playbook.

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About this document

Key terms

Contract refers to any contract entered into by a contracting authority for the provision of goods, works or services (other than framework agreements).

Contracting authority refers to any public sector organisation with a contractual relationship with a supplier. This could include, for example, a Department or local authority.

Contract management is an essential business process that involves all aspects of managing contracts.

Contract managers are those involved in the management of contracts.

Key Performance Indicators (KPIs) are quantifiable measures used to evaluate the success of an organisation or specific activity. They help contracting authorities track performance against strategic goals and objectives.

Department refers to any central government department or arm's length body (ALB).

Shall indicates a legislative requirement that must be complied with.

Should indicates a principle or policy requirement to be implemented on a 'comply or explain' basis by Departments (see What is the Scope of Contract Management Playbook, below).

Service Level Agreements (SLAs) are formal agreements between a service provider and a customer that outline the expected level of service. They detail specific metrics, such as response times and availability, which define the standard of service to be delivered and ensure accountability.

What is the purpose of the Contract Management Playbook?

The Contract Management Playbook provides commercial, finance, operational, project delivery, policy and other professionals with guidelines, rules and principles that will help them to avoid the most common errors observed in managing contracts, and optimise the benefits that can be realised through effective contract management.

Around one-third of government spending is through contracts. These contracts deliver vital goods, works and services for public organisations, many of which will directly affect the organisation's ability to achieve its aims. **The Sourcing Playbook** lays out best practice to maximise value in procuring these contracts, but if these contracts are not managed effectively, the value achieved in procurement can be lost and benefits not realised. Risks can also materialise which can negatively impact on delivery, which will reflect poorly on the organisation and their outputs.

The Contract Management Playbook describes what shall or should be done by contracting authorities. The standards that people should work to are specified within **Contract Management Professional Standards**, as well as in the **GovS 008 Commercial**, **GovS 002 Project Delivery**, and **GovS 006 Finance** respectively.

The Contract Management Playbook reflects the fact that new contracts will generally be regulated by the Procurement Act 2023 (PA) but recognises that some contracts may continue to be regulated by "Predecessor Legislation", such as the Public Contracts Regulation 2015 (PCR), the Utilities Contracts Regulations 2016, the Concession Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011, instead. It therefore uses specific terminology to distinguish between the two legal regimes, where appropriate.

Who is the Contract Management Playbook for?

The Contract Management Playbook serves to provide strategic and operational guidance for contracting authorities to support effective contract management across the whole public sector. The first chapter of this document is pitched at this strategic level for organisational leadership and policy teams. The remaining chapters are aimed at the operational contract and delivery managers, which may include commercial, finance, operational, project delivery and any other professionals across the public sector who are responsible for the planning and delivery of goods, works and services through the contractual relationship with a supplier.

The Playbook has been co-developed with input from public officials and industry stakeholders.

What is the scope of the Contract Management Playbook?

Central and Wider Public Sector

Where a legislative requirement must be complied with, this Playbook indicates this by using the word 'shall'. For Departments, where the Playbook contains guidance that is to be followed on a 'comply or explain' basis, recognising that there is not a one-size-fits-all approach for all government contracts, this Playbook uses the word 'should'. The Playbook will be enforced through spending controls and appropriate governance and approval processes for Departments.

The wider public sector is encouraged to take account of the Playbook where the policies and principles are relevant taking into account the scale, scope, complexity and novelty of the contract.

This Playbook applies to all contracts for the provision of goods, works or services. This includes all contracts that are subject to the PA or Predecessor Legislation, including exempted contracts and contracts that have a value above the relevant threshold set out in the PA or Predecessor Legislation. Where there are differences between the old regulations and the new Act, this will be explained. The Playbook does not apply to framework agreements/frameworks or dynamic purchasing systems/dynamic markets, which require a different approach; although it does apply to contracts awarded under those arrangements.

For managing government grants in central government, the Cabinet Office's Grants Centre of Excellence provides expert advice.

Existing Contract Management and Sourcing guidance

The structure of the Playbook is aligned with the Government Commercial Function's Contract Management Capability Programme (CMCP) Foundation level training. This Playbook complements, but is not supplementary to the CMCP training, therefore all contract managers carrying out these functions should endeavour to complete this training to support their understanding of the elements of this Playbook.

The Playbook also complements the existing suite of commercial Playbooks and their guidance notes, which primarily focus on the sourcing and procurement stages of the commercial lifecycle. Where they are useful and applicable to contract managers, there is reference to them in the main body of this Playbook.

The Contract Management Playbook and The Sourcing Playbook are both applicable across a variety of sectors. Where the contract being managed is for works (such as a construction project), an IT or digital product or service, or a consultancy or professional services contract, it is also useful to refer to either The Construction Playbook, The Digital, Data and Technology Playbook or The Consultancy Playbook respectively.

Contacts

For further information or to provide feedback on the Contract Management Playbook, please contact the Markets, Sourcing and Suppliers Team at **markets-sourcing-suppliers@cabinetoffice.gov.uk**.

For further information on the Contract Management Capability Programme (CMCP) please contact the CMCP team at **contract-management@cabinetoffice.gov.uk**.

What is contract management?

While it includes day-to-day contract administration, contract management goes beyond this and can involve any decisions or actions that affect:

- obligations of suppliers and contracting authorities
- all contract management activity
- supplier relationships

A contract manager will undertake a diverse range of activities that span the pre-award, award and post-entry stages of a contract. The main focus of contract management will begin once the contract has been awarded and mobilised, when the contract manager ensures the contract is performed according to its terms. Activities will vary depending on what is proportionate to the terms of each contract and may include monitoring contract performance; identifying risks, issues and opportunities; managing risk and change; and informing actions to maximise value for money for the contracting authority.

The contract management role may be undertaken by one or a number of individuals under different titles. Also, in some contracting authorities, one team may be responsible for both the procurement and contract management of a contract. Where the contract management role is split between individuals, collaboration between all of those individuals is essential to ensure the full scope of contract management requirements are fulfilled effectively. Where parts of the contract management requirements are missed or delivery is disjointed, risks could materialise and opportunities to maximise value for money could be missed.

A contract manager, or contract management team, should be a point of contact (POCs) for both the contracting authority and the supplier(s) and should also be aware of any other POCs that the supplier may engage with in the delivery of the contract across the contracting authority.

The National Procurement Policy Statement

The PA aims to simplify and increase transparency in public procurement processes. It introduces measures to streamline procedures, enhance competition, and provide clearer guidelines for contracting authorities. Section 13 of the PA places a statutory duty on contracting authorities to have regard to the policy objectives contained within the National Procurement Policy Statement (NPPS) when undertaking their procurement activities. The NPPS (which came into force with the new procurement regime on the 24th of February 2025) instructs contracting authorities to deliver value for money by having regard to the following priorities in the exercise of their procurement functions:

- driving economic growth and strengthening supply chains by giving small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs) a fair chance, creating high quality jobs and championing innovation;

- delivering social and economic value that supports the Government's missions including working in partnership across organisational boundaries where appropriate; and

- ensuring the right commercial capability and standards are in place to procure and manage contracts effectively and to collaborate with other contracting authorities to deliver the best value.

These priorities are underpinned by eight actions which contracting authorities must have regard to in the exercise of their procurement functions.

Contract management is essential for meeting the goals outlined in the NPPS. When contracting authorities manage contracts well, they help ensure money is well spent, not just in terms of cost, but also in supporting broader aims like economic growth and resilient supply chains. This means giving small businesses and VCSEs a fair chance to participate, which in turn creates quality jobs and encourages innovation.

Good contract management also supports the delivery of social and economic benefits that align with these goals. By working together across different organisations, authorities can form partnerships that make a real impact. It's crucial to have the right skills and standards in place to manage contracts effectively and to work alongside other authorities to get the best outcomes. The Cabinet Office has issued guidance to help authorities incorporate these practices into the new procurement regime, ensuring they are well-prepared to achieve the objectives set out in the NPPS.

Key policies

The following 11 key policies outline areas of focus and standards that contracting authorities should meet in order to optimise contract management in their organisation. These policies are supported by our 'key objectives' which are areas of importance for contract management and are valuable goals contract managers should aim for.

1 Develop a contract management strategy

2 Establish effective governance processes and assign accountability

3 Invest in contract managers' capability and capacity

4 Invest in appropriate tools, systems, and software

5 Use an outcome-based approach

6 Proportionality: take different approaches for different contracts

7 Build strong relationships that drive positive outcomes

8 Maintain continuity throughout the life of the contract

9 Take advantage of the opportunities of change

10 Collaborate to create opportunities, shared value and manage risks

11 Input into the pre-award stages: complete the circle

Key Objectives

1 Develop a contract management strategy

The level of contract management resource needed depends on factors like the type of contract, its context, and the organisation's wider priorities and capacity. Each authority faces unique challenges that impact how a contract is implemented. To manage contracts effectively, it's important to consider the broader organisational context. Each contracting authority should have strategies at organisational, category and individual contract levels which align its contract management resources with its organisational objectives and priorities.

2 Establish effective governance processes and assign accountability

Effective contract management relies heavily on both internal and external governance, such as commercial delegations for change approval and spend controls. Contracting authorities should ensure that these governance processes are well-established, effective, and properly managed to ensure standards are met and spending is authorised correctly. Good governance also helps prevent delays in contract delivery due to approval issues. Everyone involved in contract management should be accountable for their area's governance, and senior leaders must ensure that the entire governance framework is followed.

3 Invest in contract managers' capability and capacity

Historically, contract management has been under-valued and underfunded, leading to a 'let and forget' culture that neglects the necessary investment in time, resource, and skills. This oversight can significantly impact a contracting authority's ability to ensure contract delivery and drive value for money outcomes.

Investing in effective contract management is crucial to ensuring that obligations are met to the required contractual standards, minimising risks, and realising the full benefits of a contract throughout the contract lifecycle. All contract managers should receive appropriate training and accreditation, including the Government Commercial Function CMCP accreditation relevant to the tier of the contract managed – bronze, silver, or gold – which is based on its criticality, complexity, and value.

The resources and skills required for effective management vary depending on the contract type. Some contracts demand highly qualified managers or specialised expertise, such as the New Engineering Contract (NEC), which may require skills in construction or design. Other contracts might focus more on administrative tasks, needing significant operational management. Having the right resource in place leads to more effective contract management, risk reduction, and benefit realisation. When a contract manager changes, thorough handovers and comprehensive, up-to-date documentation are essential to prevent gaps in management.

4 Invest in appropriate tools, systems, and software

Effective contract management requires not only the right skills and personnel but also the appropriate tools and systems. These include resources such as change logs, risk registers, obligations matrices, contract management plans, and a wider contract register for the contracting authority.

A standardised approach to tools and software across the organisation ensures consistency and efficiency. Investing in good software, toolkits, guidance, and templates is essential for efficient management. Documentation should be current and tailored to the contract's type and complexity.

5 Use an outcome-based approach

Contracts aim to deliver specific outcomes, even if they often focus on relevant inputs or outputs. It's crucial for everyone involved to grasp these intended outcomes and their contribution to achieving them. Regular checks should ensure that contracts meet end user expectations, and any gaps need investigation and action to align outcomes.

This means that contract management is naturally an outcome-focused exercise where KPIs, SLAs, risks, issues, contract changes and delivery schedules are the key milestones which should be carefully monitored to ensure obligations are being met and outcomes fulfilled.

If a contract doesn't deliver expected outcomes for the end-user, it might mean the supplier is not meeting its obligations under the contract, which should be addressed directly with the supplier in the first instance. It may be necessary to reevaluate the outcomes if obligations or milestones are unrealistic.

6 Proportionality: take different approaches for different contracts

Contract management activities should be tailored to fit the specific needs of each contract, considering factors like size, value, criticality, and complexity. This principle of proportionality ensures that management efforts appropriately match the contract's significance, with tiering systems (gold, silver, bronze) often guiding this approach. The Cabinet Office Contract Tiering Tool can provide valuable insight, but each contracting authority must evaluate a contract's importance relative to its business priorities.

Special care should be taken when dealing with SMEs and VCSEs to ensure the terms are fair and achievable, fostering an equitable contractual relationship.

7 Build strong relationships that drive positive outcomes

Strong relationships are key to successful contract management as they enhance engagement and communication, benefiting all involved parties. This can foster closer collaboration which leads to early identification of issues and effective risk management. Similarly strong relationships encourage opportunities, and motivate suppliers to elevate their performance. Relationship-building should be strategically focused on enhancing contract outcomes, ensuring that engagements are pitched at the right level, leveraging the relationship between contracting authority and supplier for mutual benefit to ensure delivery.

8 Maintain continuity throughout the life of the contract

Ensuring seamless continuity in contract management from the business case to contract exit is critical for avoiding risks such as escalating costs, delays, performance declines, or even contract failure. Gaps in management, whether due to transitions in resource, inadequate systems, or unclear processes, increase these risks. Strong handovers supplemented by accurate record-keeping and robust knowledge-sharing practices are vital. This is particularly crucial when contracts transition between teams, moving from procurement phases to active contract management, to ensure that all necessary information and responsibilities are clearly communicated and maintained.

9 Take advantage of the opportunities of change

Contractual changes can vary widely, from significant modifications that alter the contract's scope, to minor changes in governance processes. These changes may arise for various reasons, including innovation, process improvement, and the reprioritisation of resources.

When thoughtfully assessed and implemented, these changes may present opportunities to enhance value for money. Contract managers are well-suited to identify these opportunities but must also evaluate potential risks and drawbacks. Building strong relationships with suppliers and working collaboratively are key to managing changes effectively and avoiding disputes.

Contract changes shall comply with the relevant procurement law. Practitioners should exercise commercial judgement in instances of contract change and obtain legal advice where appropriate. Contract managers should follow best practices to mitigate the risk of legal challenge to change. Where a contract change cannot occur, this may need to be developed as a new requirement and contract managers should work with the relevant procurement team to develop this into the sourcing and procurement stages.

(10) Collaborate to create opportunities, shared value and manage risks

Managing risk is a core responsibility for contract managers, involving the identification, monitoring, and mitigation of risks and responding proportionately. Risk management should be a collaborative effort, both between the different internal business functions which contribute to contract delivery and the suppliers themselves.

Departments should encourage this collaboration to develop robust joint risk management strategies. In recognising that some risks can offer opportunities, as well as threats, it is crucial to regularly review risks to detect threats early and seize new opportunities.

(11) Input into the pre-award stages: complete the circle

Contract management is important for each phase of the commercial lifecycle, including the pre-award phases. Early involvement of contract managers in sourcing and needs analysis stages can ensure that contract requirements are feasible and practical.

By contributing operational insights during these early stages, contract managers help shape contracts that are more manageable and effective. Advising policy and sourcing teams early on can embed vital practicalities into the contract, leading to smoother delivery and better outcomes throughout its lifecycle.

Key objectives

The following 6 key objectives are areas of importance for contract management and are valuable goals to aim for when conducting contract management activities. Contracting authorities can support their achievement of these by following the Playbook's principles, guidelines, and key policies.

1.   Delivering value and high-quality services

Contract management is about ensuring successful delivery of contract obligations, and these include obligations both for the supplier and the contracting authority.

Ensuring successful delivery of the contract outcomes will bring a benefit to the contracting authority by fulfilling a business need. Through effective management of a contract, quality and efficiency of the service or goods can be increased, costs can be reduced and sometimes additional benefits can be obtained. All of this will increase the value obtained from the contract.

2.   Effective governance

For contract management, effective governance means sufficient scrutiny of performance and risk management (usually at review periods), spend, change requests and disputes to assure the contracting authority is being well represented to suppliers and the suppliers are delivering well for the contracting authority and any end-users.

The best governance is clear and objective with clearly defined roles, responsibilities and outcomes i.e. offering explicit decisions and setting achievable management requirements for underperforming contracts. Where appropriate, governance can also be collaborative so that improvements are made collectively, with a fuller understanding of the picture rather than prescribed top-down. All governance decisions should be recorded and further required actions should be tracked and their outcomes recorded.

3.   Knowledge sharing and collaboration

Contract management is a wide-ranging activity that can be spread across multiple teams and/or individuals. Where this is the case, knowledge sharing and collaboration are essential to ensure there are no gaps in the contract management processes and activities. This requires dedicated time being allocated to working collaboratively. Gaps in the contract management process caused by a lack of communication within a contracting authority or with a supplier can lead to unexpected risks materialising and opportunities being missed. It can also cause duplication of activities which can provide confusion for suppliers.

Knowledge sharing and collaboration can also offer an opportunity to disseminate best practice. Using learning from experience logs and sharing effective management with stakeholders can proactively prevent, avoid and minimise risks and issues while increasing value for money outcomes.

4.   Digital Transformation and Cyber Security

The digital transformation of the systems and processes of contract management enhances the contract management capacity and capability in organisations by streamlining and automating administrative tasks and records. Centralising these records in an auditable, consistent format is crucial for transparency and accountability, especially in light of the new PA's Central Digital Platform service.

This approach prevents records from being lost or scattered across personal drives and ensures easy access for reporting needs. This frees up contract managers to focus more on value-add activities. Increased digitisation can also provide high-level data, collated in dashboards for organisations to understand their overall contract management performance and identify areas for improvement.

With the increase of digitisation, cyber security is an important consideration for all contracts. Cyber security encompasses digital security and data protection which impacts all digital infrastructure including systems, networks and information. There is a tendency to only consider cyber security at the start of a procurement, but it should be reconsidered throughout the contract management lifecycle. Cyber risks should be regularly reviewed and actively managed so opportunities can be identified and any breaches reported immediately to the cyber security team.

5.   Innovation

Opportunities which can achieve better value for money and may bring additional benefits for the contracting authority and its suppliers. Innovation can be implemented by contract managers encouraging suppliers to innovate through incentivisation, collaboration, and giving the supplier flexibility in delivery methodology.

Innovation can also be implemented in contract management processes, such as updating tools and software and optimising working practices.

Contract managers should seek to continuously improve their current delivery methods by tracking new industry developments and implementing more efficient practices during the life of the contract.

Contracting authorities can adopt innovative processes and new technologies and encourage suppliers to do the same in their contracts. This can improve delivery standards and efficiencies to improve value for money and provide a better service to the public.

6.   Alignment with contract management standards

The standards for contract management are detailed in **Government commercial operating standards (GovS 008)** and **Contract Management Professional Standards**.

As contract management is a complex activity, it can encompass a range of other disciplines. Other organisations and government bodies have published other relevant guidance for example, the **Orange Book**, the **Green Book**, and **National Audit Office 'Lessons learned: competition in public procurement'**.

1. Strategic contract management

Contract management needs to be adequately resourced and governed with an overall contract management strategy that advances organisational objectives.

Contract management can encompass anything from the oversight of an essential service to the delivery of critical national infrastructure. Regardless of the complexity of the contract, a strategic organisational approach is essential to maximise their value. By proactively engaging in strategic contract management, leaders can identify opportunities and mitigate broader risks before they arise.

A strategic approach to contract management involves having clear governance processes in place, sufficiently resourcing for and allocating suitably qualified or experienced personnel, and ensuring the necessary tools and software are available to manage contracts successfully.

Organisational contract management strategy

Every contracting authority operates with a vision, mission statement and set of goals that form the cornerstone of its overarching strategy and guide the development and pursuit of its policies.

Improving contract management within a contracting authority requires both support from senior officials (top-down) and active engagement from all levels (bottom-up). Effective communication among teams is essential to avoid siloed working. An organisational-level contract management strategy should be established encompassing:

1. standards and guidance for managers,

2. comprehensive training programmes (both classroom and on-the-job based),

3. available support and tools, and

4. strategic supplier relationship management and monitoring.

The level of detail in a strategy and what it includes will depend on what is proportionate to the contracting authority. A contracting authority may choose to set out the contract management strategy as its own strategy and/or include it in organisational strategy documents such as its Commercial Strategy, Strategic Supplier Relationship Management (SSRM) Plan, and Risk Management Strategy.

- Commercial Strategy

  A Commercial Strategy is a document containing the aims and objectives of an organisation's approach to procurement. It maps and monitors contract management capability and capacity. View the **Government Commercial Function's strategy here**.

  Each contracting authority should also have its own Commercial Strategy which considers the needs of its stakeholders and end users and takes into account the **National Procurement Policy Statement (NPPS)**. See also, **NPPS Section**.

- Strategic Supplier Relationship Management (SSRM) Plan

  A SSRM Plan is a strategy to manage a contracting authority's strategic suppliers. It differs from a traditional Supplier Relationship Management Plan which is focused on one supplier and its portfolio of contracts.

- Risk Management Strategy

  A risk management strategy outlines an organisation's approach to risk. It should clarify the organisation's risk appetite which will inform contract managers on how to treat risks. For more information on risk appetite statements and risk management, see the **risk** chapter.

Documenting these strategies acknowledges the cross-disciplinary nature of contract management and its connections to areas like risk, policy, and commercial operations. Without strategic management at this level, contracts risk becoming fragmented and disconnected from the organisation's overarching objectives.

Framework Agreements and Framework Call-Off Agreements

The Crown Commercial Service (CCS), which will become the Government Commercial Agency alongside the GCF central teams from April 2026, and many public organisations manage frameworks and the framework call-off procedure along with dynamic markets (under the PA) and dynamic purchasing systems (under the PCR) to improve the route-to- market opportunities in the procurement of certain goods and services. CCS provides a range of framework agreements and dynamic purchasing systems/dynamic markets to the public and third sectors. See the full list of **categories and agreements**.

This Playbook applies specifically to the management of call-off contracts, which are the secondary public contracts awarded under a primary framework agreement. Management of the overarching framework agreements may require distinct management approaches.

Identifying and monitoring suppliers in a strategic context

To support contract management in a contracting authority, critical and strategic suppliers should be identified and monitored using an SSRM Plan and Commercial Strategy.

Critical suppliers are providers of critical contracts, which are contracts where significant disruption would occur should goods or services be interrupted.

Strategic suppliers are suppliers that have multiple contracts with a contracting authority that cumulatively amount to a high spend threshold. This threshold will vary depending on what is proportionate to each contracting authority.

It is important that critical and strategic suppliers are identified so that a contracting authority can prioritise its contract management activities. A supplier can be both critical and strategic to a contracting authority. This is known as supplier segmentation and depends on the risk, value and criticality of a supplier's services/ goods portfolio. For more information on SRM please refer to the **relationship management** chapter.

Monitoring the Supply Chain

Critical suppliers should also be considered down the supply chain to adequately manage the risk of disruption to the delivery of goods and services.

These levels of supply can be described in tiers. Tier 1 is the main supplier (or contractor) and its suppliers are tier 2 suppliers (or subcontractors), and so on.

It is important to monitor the supply chain, as problems in the supply chain can be early indicators of potential risks to contract performance. A supply chain mapping exercise facilitates this monitoring. If risks are identified early, actions can be taken to mitigate any risks and even prevent them from materialising. The Relationship Management chapter provides a step-by-step guide on **relationship management** and how to implement supply chain management and mapping. For more information on risk management, please see the chapter on **risk**.

Cabinet Office and Intra-Organisational SSRM

The Cabinet Office has a SSRM programme, as well as a Strategic Partnering programme for the government's 39 strategic suppliers, but there is value to intra-organisation SSRM activities and contracting authorities may benefit from more focus on specific or different suppliers. **The Crown Representatives programme** supports the Strategic Partnering and SSRM programmes.

Where no other alternative supplier exists or is easily available, resolution plans may include gaining knowledge of the existing market and working out if a different specification could deliver the critical good or service. Please see the **Resolution Planning Guidance Note** for more information.

Governance processes

Each contracting authority has project, programme and functional governance processes ranging from project or programme boards, steering groups and/or delivery committees. It is essential to ensure contracts can be properly managed through these governance processes, with transparent routes for escalation if something goes wrong.

Cabinet Office and HM Treasury spend controls may also apply, depending on the value of the contract, the nature of the contract, and which contracting authority is the buyer.

Resource planning

Monitoring contracts, both current and upcoming, is crucial for effective contract management. This involves planning resources like personnel (contract managers and experts in finance, legal, and technical fields), training, budgets, and tools.

The Senior Responsible Officer (SRO) should consult with current managers to understand resource needs, using past resource allocations as a benchmark. It's important to tailor resources to each contract's specific requirements and challenges, beyond just benchmarking.

Training for contract managers is key. Managers should evaluate current skills and identify gaps to ensure competence.

Tracking contract tiers helps determine the necessary management capabilities and capacity. The **Cabinet Office Contract Tiering Tool** assists in classifying these contracts. Moreover, contract performance dashboards can highlight any shortfalls in capacity or capability.

Training: empowering contract managers to deliver

Providing contract managers with the necessary knowledge and skills is essential for successful contract delivery. Investing in trained contract managers gives contracts the best chance of success.

New or newly assigned contract managers should receive proportionate training. It's also vital for managers to continuously enhance their skills and knowledge to improve capabilities and add extra value to contracts.

Contracting authorities should adopt a '70/20/10' learning approach: 70% learning on the job, 20% learning through peers, and 10% formal learning.

Role specific training

Contract managers need a level of subject-matter expertise to be able to adequately understand the goods and service they are managing the delivery of. For instance, a construction contract manager would benefit from a good understanding of the Royal Institute of British Architects (RIBA) stages. Furthermore, within certain teams, some members will require more role-specific guidance and knowledge than others.

Conduct thorough handovers

Maintaining continuity in contract management capacity and capability for a contract is vital for ensuring consistency of well-managed delivery throughout the life of a contract. Thorough handovers can help to maintain capacity and capability, so it is advisable that contract managers are trained in how to do this.

Handover training can vary depending on the contracting authority, but should include a standardised method on conducting handovers. The existing contract manager should not leave their role until the successor is fully trained and understands the contract(s) they are taking on.

Contract Management Capability Programme

The Contract Management Capability Programme (CMCP) offers different levels of training for the level of contract management expertise needed for each contract management role. This Playbook is aligned and complementary to the content of the CMCP training which sets out the principles and fundamentals of contract management at the foundation level and goes into detail around the technical skills and strategic thinking of contract management at practitioner and expert levels.

The level of training required for a contract manager can be determined by the categorisation of the contract they manage. Every gold contract requires a CMCP accredited expert level contract manager and every silver contract requires a practitioner level contract manager. Where the right accreditation is not in place, mitigations need to be recorded and in place until that accreditation is achieved.

Leveraging data for proactive contract management

Central dashboards serve as valuable tools for visualising data, providing strategic insights, and assisting decision-making. However, their effectiveness hinges on the quality of the data, which must be up-to-date, relevant, and validated. Monitoring expenditure and performance across various categories, as well as assessing the performance of strategic suppliers, is crucial. This analysis can highlight contracts that require improvement and showcase successful contracts that could serve as models for others.

Obligations to publish performance data

Contracting authorities are required to ensure transparency and accountability by publishing specified performance data relating to public contracts. In line with the Sourcing Playbook policy, authorities must include key performance indicators (KPIs) in appropriate contracts and report on performance throughout the contract lifecycle. These measures aim to improve supplier performance and deliver value for money.

For further detail, including on new obligations under the PA relating to KPIs, please refer to the **KPI Reporting Section** in Chapter 4.

For more information on developing effective KPIs during the procurement stages, please see **The Sourcing Playbook** (KPIs and baselines). For further detail on tracking KPIs, please refer to the **managing contract delivery** chapter in this Playbook.

Organisational risk reporting

Risk can also be visualised on a central dashboard, enabling organisations to proactively address and monitor their most significant risks. By requiring contract managers to regularly report and categorise risks, this data can be effectively collated. Contracting authorities can implement risk management software tools to automate this process.

For further details on managing risks, please refer to the **risk** chapter.

Tools and roadmaps for efficient execution

Providing tools and roadmap guidance (which includes best practice guidance, templates and standardised processes) for contract management helps empower contract managers to succeed in delivery. Adequate tools and roadmaps also aid the recording of audit trails and can, when paired with digitisation, automate onerous and/or simple activities.

Contract management software and systems

Contracting authorities should ensure they have the right software and systems in place to support contract management activities. This can include but is not limited to:

- enterprise resource planning (ERP) system
- e-procurement system (usually included in ERP)
- contract management software
- payment system
- risk management system

All of these can have their own system and/or software or be part of an integrated system like an ERP. The Government's **Cloud First Policy** mandates central public sector organisations to prioritise cloud solutions in technology procurements and contract management systems to be integrated on the cloud with HR and financial functions' systems.

While many of the listed systems provide data to help manage contracts, using a specific contract management tool can better track performance, milestones, and organise important reports and meeting notes.

Standardisation

Standardised processes, templates and documents, save time and provide certainty for both parties which allows both to better prepare for delivery of the contract.

There are standardised **contract management processes, templates and documents** produced by the Cabinet Office which can be helpful as a baseline, although they require adaptation. In addition, the **Cabinet Office Standard Contracts**, which should be used in most procurements, dictate contract management processes to be followed.

Conflicts of interest and ethical walls in contract management

A conflict of interest arises when an individual who influences a contract decision has a direct or indirect interest, potentially giving one supplier an unfair advantage or disadvantage. Often, such conflicts are financial, like owning shares in a company while managing its contract. Conflicts can also be personal or professional.

Ethical walls mitigate conflicts by excluding a team member from a contract they have connections to. For instance, a contract manager could be involved in bid evaluations for a contract they oversee, potentially favouring the current supplier due to their relationship. Ethical walls prevent the manager from influencing procurement and sharing advantageous information.

Civil servants must adhere to the Civil Service code, emphasising honesty and integrity. Managing public funds involves risks like fraud, corruption, and bribery. Contracting authorities must actively counter these risks by providing guidance on conflicts of interest and ethical walls for contract managers.

Obligations under the different procurement regimes

Regulation 24 of the PCR requires contracting authorities to take appropriate measures to prevent, identify and remedy conflicts of interest arising in the conduct of procurement procedures.

For more on identifying and mitigating conflicts of interest under the PCR please see PPN 04/21. For more on tackling fraud, corruption and bribery in government please see **GovS 013: Counter Fraud**.

The PA retains an approach based on principles rather than prescriptive rules, but there are some important changes. Under the PA, contracting authorities must take all reasonable steps to identify and keep under review conflicts or potential conflicts of interest (s.81), ensuring conflicts do not give unfair advantages or disadvantages to suppliers, with the PA mandating the exclusion of those that cannot be remedied (s.82). A significant change under the PA is the requirement to complete a formal assessment (s.83), which must be prepared before publishing any relevant transparency notices. It should document identified conflicts and mitigation measures. This assessment must be regularly reviewed and updated as necessary throughout the procurement lifecycle.

Please see the **Transparency Notice Document and Conflicts of interest Guidance** for more information.

Key points

1. A strategic organisational approach to contract management that is aligned to the wider organisational vision better enables the delivery of policy, public services and projects, and drives additional value for the contracting authority.

2. In order to achieve the full benefits from contract management there must be clear governance processes, suitably trained, qualified and experienced personnel, and sufficient resources allocated.

3. An organisational view of critical/strategic suppliers, risk in the supply chain and contract performance data supports better strategic decision making in contracting authorities.
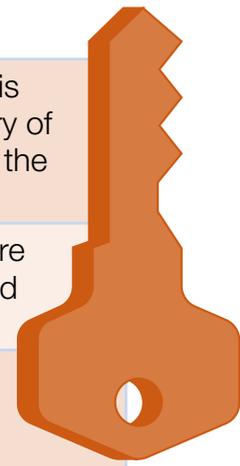
Want to know more?

1. **Government Commercial Function Strategy**.
2. **Crown Commercial Service framework agreements and dynamic purchasing systems**.
3. For civil servants, **weekly newsletters on government strategic suppliers** can be requested. If you cannot access the form please email **analystdistributionlist@cabinetoffice.gov.uk**.
4. For more information on risk management see the **Orange Book**.
5. **Resolution Planning Guidance Note**.
6. Civil servants can access the **Cabinet Office Contract Tiering Tool**.
7. **The Contract Management Capability Programme** and email **contract-management@cabinetoffice.gov.uk** to contact CMCP.
8. '**Guide to using the Social Value Model**' (section 4).
9. **Transparency data Key Performance Indicators (KPIs) for government's most important contracts**.
10. For information on KPIs for digital, data, and technology contracts please refer to Section 8 of **The Digital, Data and Technology Playbook**.
11. **The Sourcing Playbook**, particularly the KPIs and baselines section.
12. For more information on the Government's Cloud Stategy please refer to the **Cloud First Policy** and **Secure By Design** principles.
13. **The Standard Contracts**
14. **Civil Service Code**.
15. For more information on conflict of interests please see the **Procurement Policy Note 04/21 – Applying Exclusions in Public Procurement, Managing Conflicts of Interest and Whistleblowing** and **Government Functional Standard GovS 013: Counter Fraud**.
16. **NAO Commercial and contract management: insights and emerging best practice**.
17. Access to the Foundation level Contract Management Training and Accreditation is available for public sector contracting authorities via the **Government Commercial College**.
18. For more information on best practice contract management civil servants can access the **Central government and wider public sector contract management network** and **contract management good practice guide**.

2. Contract management in the pre-award stages

Contract management skills are crucial in the pre-award stages. Typical commercial structures tend to separate teams for sourcing, procurement, and contract management. While this can build internal expertise, it's important to avoid working in silos to prevent problems later on.

The pre-award stages are those prior to award and commencement of the contract. This includes market engagement, business case development and the procurement process.

Early involvement of contract managers at these stages ensures that effective contract management capabilities are built in from the start. Moreover, contract managers can help sourcing teams understand what requirements are contractually and realistically deliverable, and offer advice on optimal performance measures.

It is helpful for contract managers to support the development of a business case and other sourcing and procurement activities (as appropriate) in order to ensure lessons are learned from past contracts. This develops contract managers' familiarity with the proposed contract to inform mobilisation and the development of a contract management delivery plan which can feed into the final version of the contract.

Teams or people responsible for sourcing, procurement and contract management can sometimes be the same and there can be cross-over in personnel between these teams. The content of this chapter is relevant to all these circumstances.

The Sourcing Playbook includes more best practice guidance for the pre-award stages of a procurement.

Key areas to collaborate with the sourcing team on

While the sourcing team is exploring the options for a potential outsourcing of a project, programme or service or the purchasing of goods, input from contract managers at this stage can be invaluable for the sourcing team's understanding of the reality of contract delivery. In the case of a re-procurement, the existing contract managers can share specific insights and lessons learned. However, even in the case of a completely new procurement, the contract manager's input is still encouraged, especially from contract managers who have previously managed similar contracts.

Scoping and establishing the requirements

For success in contract delivery, it is vital that the delivery requirements are clearly defined and detailed. Existing contract managers who have an understanding of what a requirement can look like in delivery can advise the sourcing team on what information they require to be established before commencing other sourcing activities. Market engagement and sourcing decisions are especially contingent on the requirements being as comprehensive as they can be at the earliest stage possible to ensure that the right route to market and commercial strategy is chosen. The requirements will directly feed into the specification, sometimes known as the Statement of Requirements (SOR) or Statement of Work (SOW) which describes the goods and/or services the supplier is required to deliver.

Business case

The business case details how the procurement process and, in turn, the contract will meet the overall business objectives of the organisation. A business case goes through multiple levels of maturity when going through approvals. This includes the Strategic Outline Business Case (SOBC), Outline Business Case (OBC) and Full Business Case (FBC).

Please refer to the **HM Treasury Green Book** guidance for more information on business case development. Contract managers should be sighted on and have input into the business case to ensure the objectives, commercial strategy and deliverables will result in a contract that delivers what is required.

Preliminary market engagement

Early engagement helps to warm up the market to an upcoming procurement.

The deliverability of high-level requirements can be tested with potential suppliers and the overall project timetable can be shared to ensure that when going to the market, potential suppliers have sufficient time to respond to calls for competition.

Contract managers, with prior experience of the market, the previous contract or similar previous contracts, can help ensure the right suppliers are consulted and help identify and manage any risk of unfair advantage or distortion of competition to ensure compliance with the PA or Predecessor Legislation.

Planning for contract management

Contract managers should start developing their understanding of contract management during the sourcing and early procurement stages. For larger projects, it is advisable to create a high-level contract management plan, detailing the contract budget, resources, milestones, stakeholder mapping, and clauses of the contract which impose obligations on the contracting authority. This plan forms the basis for a more detailed contract management plan during mobilisation.

The plan should align with the contract's business objectives and support its strategic goals. A Responsible, Accountable, Consulted and Informed (RACI) assessment can help define the roles, expectations, and interdependencies within the contract management team and with stakeholders, documented in a matrix. More details, including examples, are available in the **managing contract delivery** chapter.

Including high-level draft process maps in the plan can assist stakeholders in understanding the practical requirements for contract delivery. Setting out plans, processes, and responsibilities early ensures clarity and prevents miscommunication.

Establishing the level of governance

It is crucial to understand early on the level of governance required for a contract to ensure the contract management model is proportionate. This can be achieved by collaborating with procurement teams. The governance level depends on the importance of the contract as indicated by the **Cabinet Office Contract Tiering Tool**, as well as the available budget, resources, and required expertise. This understanding informs the contract management plan, as the amount and complexity of processes are linked with resource planning. Determining governance at this stage ensures that appropriate mechanisms and structures are reflected in the contract wording.

For more information on monitoring, please refer to 'performance monitoring' in the **managing contract delivery** chapter.

Contract management team resource planning

The contract management resource requirement should be planned for at the business case stage. This allows for governance of the correct amount of resources to be allocated, budgeted and governed in time for mobilisation and delivery.

The team structure selected needs to account for existing organisational structures, resource availability and be proportionate to the contract. For example, a single contract manager may be able to manage multiple smaller, transactional contracts. Conversely, for larger, more complex contracts a dedicated contract management team with high commercial expertise may be required.

Moreover, a contract manager or contract management team can work with the procurement team to establish the resources required for contract delivery. Contract managers will have knowledge of the likely resources needed to deliver a contract, especially where they have expertise in managing specific types of contract. This can help to establish realistic deliverables and timescales for delivery.

Setting out all the expected obligations on the contracting authority for contract management in an obligations matrix and RACI will also help to inform an understanding of resources needed.

Commercial contract management, operational contract management and contract administration

The management of a particular contract may be split amongst various teams and individuals. Some may be focused on the administrative and operational tasks whilst others are more focused on handling the commercial relationship.

For contracts that are administratively challenging, it is important to plan for more administrative and operational roles, while complex contractual relationships may require additional commercial roles. A contract can be both complex and administratively challenging. It is vital that all individuals involved in contract management collaborate effectively to ensure successful delivery. RACI assessments can be crucial in identifying and preventing gaps. Further guidance and practical examples can be found in the **managing contract delivery** chapter.

Procurement activities where contract managers can add value

Contract managers can add value to activities throughout the procurement process. Their support is often helpful to business case development and finalisation, performance measures, and connecting the procurement team to stakeholders across the business and externally.

Setting up performance measures

During the procurement process, performance measures like metrics for supplier scorecards, SLAs, and KPIs are developed. Contract managers can share practical insights to assist the procurement team in drafting effective performance metrics. It is essential that these measures are SMART – specific, measurable, achievable, realistic, and time-bound.

Performance measures should primarily focus on tracking the success of contract delivery. However, they should also support organisational priorities and policy goals.

When developing these measures, it is important to consider the implications of supplier underperformance and ensure the appropriate allocation of risk. In service contracts, KPIs and SLAs often have associated service credits, which allow for reduced payments to suppliers who fail to meet performance criteria. This ensures fair and manageable risk for both parties.

Finally, the availability of data to monitor success is crucial, and considerations should be made for the ease of reporting, collecting, and validating data. This is important when planning how the contract will be monitored.

For more information on performance measures, please see the **managing contract delivery** chapter.

Establishing cross-functional stakeholder engagement

In larger, more complex contracts, significant cross-functional involvement is likely to be required to develop the final specification and evaluation criteria for the invitation to tender (ITT).

Contract managers can provide valuable advice on which wider stakeholders should be consulted during procurement, as they may have interacted with them in previous contract deliveries. It is crucial for these stakeholders to understand the procurement objectives to prepare their teams for contract delivery. For further details on stakeholder management, please refer to the **relationship management** chapter.

Contract authorisation

Contract authorisation, usually detailed in the full or final business case, finalises the contract terms and recommends a supplier award for approval. Contract managers can be an important sense-check of the final contract terms to ensure they are detailed properly so that they are equipped with adequate contractual mechanisms to incentivise suppliers to deliver.

Mobilisation and transition planning

Contract managers who will be responsible for managing the contract once awarded should be engaged by the procurement team to assist with planning for mobilisation and transition. Any other team involved in mobilisation, should also be engaged. This is because mobilisation and transition are best placed with the contract manager, who will lead these activities during the life of the contract and will have the insight into how to effectively conduct these processes.

Therefore, it is best practice for contract managers to input into the sourcing and procurement activities within their organisation. The table below identifies key sourcing and procurement activities where a contract manager can potentially add value, where proportionate to the subject matter of a contract and resources available.

While these activities are not referenced in this chapter, many of them are key **Sourcing Playbook** policies or are vital sourcing activities. More information can be found on the links provided.

Pre-award activity that contract managers can input into (proportionately)	Link to guidance
Pipeline Planning	**The Sourcing Playbook** Chapter 1
Project Validation Review	**The Sourcing Playbook** Chapter 2
	Approvals Processes Guidance Note
Market Health Assessment	**Market Management Guidance Note**
Route to Market Assessment	**The Sourcing Playbook** Chapter 6
Pilots	**The Sourcing Playbook** Chapter 4
	Testing and Piloting Services Guidance Note
Benchmarking and Should Cost Modelling	**The Sourcing Playbook** Chapter 3
	Should Cost Modelling Guidance Note
	Should Cost Modelling: Tools and Templates
Conflicts of Interest/Confidentiality Agreements	Refer to your organisation's policy
Supplier Performance Measures	**The Sourcing Playbook** Chapter 5
Risk Allocation, Pricing Approach and Payment Mechanism Development (Indexation and Inflation considered here)	**The Sourcing Playbook** Chapter 8
	Risk Allocation and Pricing Approaches Guidance Note
Specification (or SOR/SOW)	**The Sourcing Playbook** Chapter 5
Evaluation Criteria	**Bid Evaluation Guidance Note**

Excluded and Excludable Suppliers

Fundamental to the new PA is ensuring fair and open competition and treating suppliers equally. Contracting authorities should be confident that suppliers taking part in their procurements and delivering their contracts are reliable.

The PA introduced significant changes to the exclusion and debarment process for bidding suppliers. Contract management practitioners can support this process in the pre-award stages and should be aware of these new procedures to ensure compliance and effective management of supplier relationships. Please see the **GOV.UK Exclusion and Debarment Guidance** for more information.

Key points

1. Contract managers have the necessary skills and experience to add value into the pre-award stages of a contract and help set the contract up for success.

2. Despite typical commercial team structures, contract managers should collaborate with sourcing and procurement functions to prevent siloed working.

3. Contract managers should increase their knowledge of the contract in the pre-award stages to inform the contract management plan and help determine the resources needed to manage the contract.
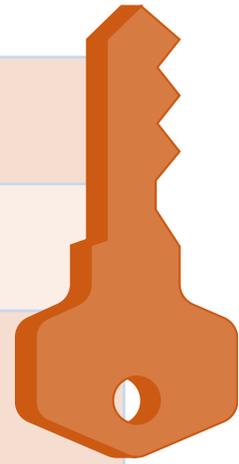
Want to know more?

1. **The Sourcing Playbook and guidance notes.**

2. Other commercial Playbooks and their guidance notes may be useful for sector specific guidance; **The Digital Data and Technology Playbook**, **The Construction Playbook**, and **The Consultancy Playbook**.

3. Civil servants can access the **Cabinet Office Contract Tiering Tool**.

3. Mobilisation

Mobilising the contract and ramping up to full-delivery is vital for setting the contractual relationship up for success at the start of delivery.

Contract mobilisation, where relevant, involves preparing the supplier who has been awarded the contract and the contracting authority for the go-live date of the contract and ramping up resource, capability, and capacity to full-delivery. This is a period of transition from contract award and also from any existing services being replaced. The exit of a supplier providing existing services will usually run concurrently with the mobilisation of a new supplier. For more information on managing contract exit, please review the **Exit Management** section

In the mobilisation period, the plans and processes of contract management developed at the pre-award stages should be implemented. Consideration should be given to how these plans and processes interact with the successful bid and processes of the supplier awarded the contract, to the extent practicable, these should be brought into alignment. It is important to note that (where permitted by the particular procurement process followed) any adaptations/population of the contract should have been implemented before award.

Importance of mobilisation

As soon as a supplier has been awarded a contract, the mobilisation period commences. During this period, contract managers need a comprehensive understanding of the contract, the supplier's bid (provided it is incorporated into the contract as, for example, the SOW) and the key supplier stakeholders to ensure the supplier is adequately supported and managed.

Where a procurement team is separate from the contract management team, a smooth and collaborative handover requires engagement to support the contract managers' understanding of the contract. Useful documentation is discussed in the sections below.

Mobilisation planning

A well-planned mobilisation is vital for ensuring that the supplier performs well from the start, this may include using clear milestones and outcomes during the mobilisation period. This period should ensure supplier readiness for full-delivery and performance against KPIs, which in some instances will be mandatory, at service commencement. Planning is also important for ensuring that the contracting authority understands its own obligations under the contract and supports the supplier in meeting milestones.

Review procurement documents

'Procurement documents' here means any document created during the procurement and, for procurements under the PA, include associated tender documents as defined in section 21(4) of the PA. The documents can provide detailed factual knowledge on what has been contracted for. Familiarity with the contract, the specification and any unique characteristics relating to the supplier's bid is essential to manage a contract successfully.

Below is a non-exhaustive list of documents that could be useful for informing contract management activities.

Contract: the contract sets out all the obligations for the supplier and the contracting authority, therefore it is important for a contract manager to read and understand. In particular, contract managers are advised to familiarise themselves with the following contract terms (which may be included in clauses or schedules/annexes to the contract):

- the commencement date(s) and implementation activities (note that contract and service commencement dates are likely to be on different days and may be conditional on certain events or milestones being met)
- contract management requirements (drafting of further management plans need to align with what is in the contract itself)
- the performance management regime
- invoicing and payment requirements (may need finance teams to set up the correct systems)
- relevant transition requirements (ensure that any further mobilisation, transition and contract management plans align with the obligations, milestones and dependencies that are set out in the contract)
- risk allocation and contract change procedures

Mobilisation plan: during the procurement process a plan for mobilisation should have been developed by the contracting authority. This should be followed during mobilisation to ensure key milestones before go-live are achieved.

Business case: summarises the requirement and explains the commercial strategy behind the procurement, both of which are helpful background for contract managers to understand.

Finance plan: sets out pricing mechanisms, payment milestones and Should Cost Modelling (which may be useful for gaining an understanding of the financial obligations of the contracting authority). This is often part of the business case.

Audit trail: provides understanding of the contract and the rationale behind procurement decisions. This can be used to inform various parts of contract management, especially relationship management and risk strategies.

Review awarded supplier(s) proposal(s)

The winning bid sets out how a supplier(s) will deliver the requirement detailed in the tender notice ("invitation to tender" under Predecessor Legislation). Contract managers should have an awareness of what the supplier proposed in their bid and may also be involved in reviewing what that means for developing contract management plans and processes.

Transition management

Some service contracts require a transition period, which is part of the overall mobilisation period. Whether the service is new, newly outsourced, subject to a different delivery model, being taken over by a new supplier or remaining with the incumbent supplier, a level of transition planning and management may be needed as part of mobilisation. Activities during this period will be proportionate to the novelty of the service to the supplier (or the contracting authority) and the complexity of the service.

A significant consideration for transition management is communicating any changes to operational practices to the staff affected and ensuring new staff are supported and brought up to speed quickly.

Some contracts for the supply of goods will have a wrap-around service component which may require transition management.

Transition of newly outsourced services

Some contract managers may oversee the transition of a service previously delivered in-house by the contracting authority. Collaborating with service delivery colleagues during mobilisation can be invaluable for ensuring a smooth transition to a newly outsourced service. Additionally, Digital, Data and Technology (DDaT) colleagues should be engaged to address any technological transition considerations. Clear collaboration and communication strategies should be adopted in these instances to ensure the right stakeholders are engaged. Please see the stakeholder engagement strategy below for more information on this.

New and previous supplier collaboration

Where the supply of regular goods and/or services is transitioning from one supplier to another there should be collaboration between the new and previous supplier that contract managers should support and facilitate. While the previous and new supplier relationship can sometimes be difficult for contract managers to navigate, there should be exit provisions within the previous supplier's contract which include obligations to collaborate.

Transfer of Undertakings (Protection of Employment) Regulations (TUPE)

Another significant consideration for service transitions is Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). TUPE governs the transfer of staff from one service provider to another where there is a change of provider for the same service, and aims to protect their current terms of employment. Consideration of TUPE is an important aspect of the procurement phase, seeking HR advice and managing its outcomes can be relevant for contract management activities during mobilisation.

Launch workshop/kick-off meeting

Best practice for the mobilisation period is to conduct an initial launch workshop supported by the procurement team, sometimes also known as a 'kick-off meeting'. A launch workshop brings together the new supplier's staff and the contracting authority to discuss the mobilisation plan and initiate a positive working relationship. For larger or complex contracts, it may be a multi-day event. Consideration should be given to the relevant scale, operational complexities and contentiousness or novelty of the contract. The aim is to promote strong collaboration from the outset.

Documentation and systems of contract management

It is vital that all the systems and documentation of contract management are set up correctly at the beginning of delivery because they act as the audit trail for the contract and ensure that suppliers and contracting authorities are aligned in their working practices. Standardised documents for these are advised to reduce duplication of effort for both the suppliers and the contracting authority. These may be included in the contract schedules. Setting these up correctly at an early stage will save time and resources later. It will also allow contract managers to effectively monitor supplier performance and contract expenditure.

Non-exhaustive documents that can be set up at this stage include:

- contract management plan (see below)
- contract handbook (discussed as part of the contract management plan section)
- risk register (see the **risk** chapter)
- contract budget monitor (see the **managing contract delivery** chapter)
- payment tracker
- obligations matrix (see the **managing contract delivery** chapter)
- relationship management plan (see the **relationship management** chapter)
- issues log (see the **risk** chapter)
- contingency plans and business continuity and disaster recovery plans (see the **risk** chapter)
- change control register and change notes and minutes (see the **change** chapter)
- continuous improvement plan (see the **managing contract delivery** chapter)
- exit plan (see the **managing contract delivery** chapter)

For successful implementation, suppliers should be involved in the joint development and final agreement of certain documents, particularly the relationship management plan, where this has been specified in the contract. Thus the contracting authority needs to consider these requirements during the procurement phase and drafting of the contract. This mutual endorsement fosters shared understanding, better adherence to the documents and their processes, and encourages a collaborative approach that can enhance value from the start.

Contract management plans

A contract management plan is an instruction manual for how to manage a specific contract with the processes, obligations, points of contacts (internal/supplier) and recurring meetings clearly set out. A contract management plan should align with a contracting authority's organisational contract management strategy which defines how the organisation delivers contract management – see **strategic contract management** chapter. Stakeholder engagement and communication strategies should also be considered (see the **relationship management** chapter).

Collaboration with the procurement team is crucial to ensure the contract's intended outcomes are achieved. The more complex the contract, the larger and more detailed the management plan will need to be. The plan should be regularly reviewed and updated to ensure that it accurately reflects the processes followed in practice. This has the added benefit of allowing for smooth handover where there is a change of personnel during the term of the contract.

Processes

Managing contractual change: contract management plans should set out the processes for change management which should include reference to the change provision in the contract where applicable.

Dispute resolution: dispute resolution should be included in the contractual terms and conditions, but it is also beneficial that the practicalities are laid out as part of contract management plans. This will allow any new contract managers to gain awareness from the outset of who needs to be involved.

Purchase orders and payment: the processes for making purchase orders and paying invoices will usually be set out in the contract and this will usually be supported by the contracting authority's e-system. Setting out the processes simply and clearly in the plan is helpful to ensure that they run smoothly.

Acceptance testing and piloting procedures: acceptance testing and piloting may be included in the plan if this is a responsibility of the contract manager rather than the end customer or user. Careful consideration should be given to this as allocating adequate time for these activities can be essential to ensure the contract delivers on its intended outcomes.

Obligations

Internal RACI assessment: the contract management team structure should have been considered during the procurement phase. During mobilisation a contract management team should consider what this structure and the wider organisational structure specifically means for their contract and map out who is responsible, accountable, consulted and informed.

Supplier RACI assessment: if considered important, RACI assessments can be required under the contract that is continually updated for their internal processes and can help contract management teams understand how to optimise supplier interactions, as they will know who is the right person to contact on the supplier side.

Both RACIs or a combined RACI will be informed at the outset by the terms of the contract. However, there may be updates required at different stages of the commercial lifecycle and/or where there are changes of circumstance which impact on contractual obligations. RACIs should therefore be continuously reviewed throughout the life of the contract.

See the **managing contract delivery** chapter for more information on RACI assessments.

Stakeholder mapping and organisational charts

Key stakeholders should be mapped in the contract management plan. This should include organisational charts with relevant details and contact information for both the contracting authority and the supplier and should specify points of escalation and arrangements for any replacement personnel. For more on stakeholder mapping please see the **relationship management** chapter.

Conflicts of interest and confidentiality

Throughout the term of a contract, it is important to continuously identify and monitor conflicts of interest and uphold relevant confidentiality agreements. When relevant, contract managers should include ethical walls procedures, if relevant, in the contract management plan.

Contract managers should understand the legislative requirements regarding conflicts of interest and confidentiality to ensure compliance.

Governance

Joint governance requirements will be detailed in the contract, for example progress meetings. Internal governance will be mandated by the organisational structure itself, for example, in relation to the contract change procedure. These governance processes should be clearly noted in the plan.

Meetings

As set out in the section above, formal governance supplier meetings should be finalised in the contract management plan. Informal supplier meetings should also be detailed in the contract management plan, but this may also be decided ad hoc. They should be proportionate to the outputs of the contract and the size and scope of the supplier. Any minutes and actions should be accurately recorded to ensure there is a robust audit trial.

Meetings should be planned in consideration of the timing of provision of reporting data. Enough time should be allowed for review of the reporting data prior to the meetings.

Contractual milestones and delivery schedules

A contract management plan should track the contractual milestones and delivery schedules that are specified within the contract of the supplier(s). Effective milestones link to the invoicing and payment schedule to incentivise timely delivery. The plan should also detail what the contracting authority's obligations are in relation to milestones to ensure that the supplier is supported to deliver and does not have an excuse for failing to deliver.

Management information, reporting and performance monitoring

Management information (MI) is the collective term for data that is collected by a contracting authority in order to monitor a supplier's performance and compliance with its obligations under the contract.

A contract management plan should clearly set out the supplier's contractual obligations to report data and how that data is monitored, for example, in a log or on a software system.

It is advisable for reporting data and other MI to be easily accessible in a central monitoring dashboard so that information on contract performance is readily available to support decision making and assurance.

Consideration should include, but not be limited to, MI for monitoring KPIs, contractual deliverables and any potential service credits. Contract managers should consider that the mobilisation phase of the contract may require entirely different data requirements.

Contract handbook

For contracts providing goods or services to an internal end-user, a contract handbook or user guide can be created to assist them. These guides explain the contract's function and how end-users can access the services. They may include process maps, contact points for complaints and escalations (both internal and supplier-related), and an outline of KPIs and SLAs, along with other helpful contractual details for the end-user.

Key points

1. Contract managers need a comprehensive understanding of the contract, the statement of work and the key supplier stakeholders to ensure the supplier is adequately supported and managed.

2. Every contract should have a contract management plan which sets out clearly all the processes, obligations, points of contracts and meet schedule associated with the management of the contract.

3. Consideration should be given to how a contract management plan interacts with the successful bid and processes of the supplier awarded the contract.

4. Where relevant, and stipulated in the contract, including the awarded supplier in the development of documentation and systems for contract management supports successful mobilisation and ongoing contract management.

5. Where applicable, a smooth and collaborative handover from the procurement team and any project team involved in the procurement is essential to ensure contract success.
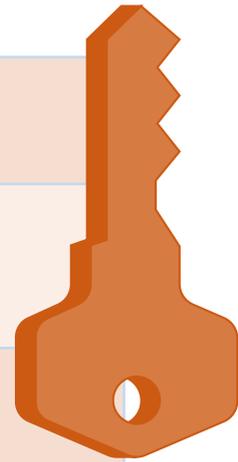
Want to know more?

1. **Procurement Act 2023**.

2. Chapter 12 of **The Sourcing Playbook**.

3. Useful templates for many of the processes and documents set up during mobilisation can be found on **Knowledge Hub**.

4. For more information on the practical skills and behaviours needed for effective mobilisation can be obtained through the CMCP training.

4. Managing contract delivery and exit

The act of managing the contract which involves a range of activities from mobilisation to exit with the purpose of ensuring value for money delivery of the obligations.

One of the key responsibilities in contract management is facilitating the effective delivery of contract deliverables, primarily through performance management. This relies on strong collaboration between the contracting authority and the supplier. For further information on fostering collaboration, see the **relationship management** chapter.

Throughout the contract delivery period, managers should refer to the contract management plan, which outlines the processes, obligations, key contacts (both internal and supplier), and scheduled meetings. The development of this crucial document is explained in the **mobilisation** chapter.

Effective contract management ensures that both parties adhere to their contractual obligations, ensuring that all deliverables are met. Combining this with a mindset focused on continuous improvement can enhance value for money and provide additional benefits for both the contracting authority and the supplier.

Contract financial performance

It is important to continually monitor financial performance of a contract to ensure that spend is within budget and does not exceed approval limits. Three specific areas that require attention are contractual spend, invoices, and supplier financial standing.

Contractual spend

Contract managers should monitor, report and review all contract spend. Reviewing all contract spend is important to ensure money is paid appropriately based on the relevant pricing mechanism. This may include:

1. Time and Materials (T&M):
The supplier is paid for the actual time spent (usually at agreed day/hour rates) and the materials used. Suited to projects where the scope is uncertain or likely to change.

2. Fixed Price:
A single price is agreed for the entire project or deliverable, regardless of the actual time or costs incurred. Suitable when scope and requirements are clearly defined.

3. Milestone-Based:
Payments are linked to the achievement of specified milestones or deliverables. Encourages progress and aligns payment to measurable outputs.

4. Cost Plus:
The buyer pays the actual costs incurred by the supplier, plus an agreed fee or percentage for profit. Used when costs are difficult to estimate in advance.

5. Retainer:
A regular, fixed payment (e.g. monthly) secures access to resources or services for a defined period, regardless of actual usage.

Tracking spend against predicted costs and estimates helps to highlight any differences between predicted and actual spend. For contracts over a number of years, the contract may include an indexation term to uplift prices over the term of the contract. Practitioners should familiarise themselves with the index, ensuring it is reflected in the contract management plan.

This can help to identify where subsequent contracts or contract extensions (where allowed by law and policy) may be needed. The **Should Cost Modelling Guidance Note** provides more information on this in a procurement context, but the principles are still relevant to understand for contract management purposes.

It is also important for contract managers to be aware of **open book contract management** provisions. Contract managers should also be aware when **off-payroll working (IR35)** affects their contract as this can impact on budgets. If a contract falls within IR35, the organisation may be responsible for deducting income tax and National Insurance at source, increasing costs and affecting contractual arrangements.

Proper assessment and management of IR35 status is essential to ensure legal compliance and avoid financial liabilities when engaging off-payroll workers in the public sector.

Typical payment process:

Requisition: The process should begin with a requisition, which is an official request for the procurement of goods or services. This request details what is required, the budget and needs approval from relevant budget holders within the contracting authority.

Purchase Order (PO): Upon approval of the requisition, a Purchase Order is generated and issued to the supplier. This confirms the details of the goods or services, including quantities and prices.

Invoice: Once received, the supplier submits an invoice, which is a request for payment using the PO. The details on the invoice must align with those on the PO for payment to be made.

Invoices

Invoices need to be reviewed, validated and paid on time in accordance with the relevant provisions of the contract. Note that there are implied payment terms under the PA.

Before invoices are paid, deliverables should have been received in full (unless the contract specifies otherwise) and if applicable, any adjustments due to partial delivery or failure of delivery should be accounted for. Holds and adjustments can only be applied if they are provided for in the financial provisions of the contract. Holds are temporary blocks preventing payment due to issues requiring resolution, while adjustments are changes made to invoice amounts to correct errors or reflect agreed alterations.

Under the PA, there is a requirement on the public sector to pay 100% of all invoices in public contracts within 30 days of receipt, and this is now implied into public sub-contracts throughout the supply chain. This means private sector businesses contributing to public contracts as sub-contractors must also be paid within 30 days. These 30 days should be calculated from the day an invoice is received rather than from when it is validated. Contracting authorities must notify the payee "without undue delay" if it disputes an invoice or considers it invalid (s68(4)).

The government also sets out in **PPN 018** that suppliers bidding on public contracts should demonstrate they are paying at least 95% of invoices within 60 days (90% with an action plan), and also pay all invoices within an average of 45 days. These questions are included in the Procurement Specific Questionnaire (PSQ).

Departments are currently required to report their payment performance on GOV.UK, and demonstrate that they are paying 100% of invoices within 30 days, and 90% of invoices from SMEs within 5 days. To improve transparency, Payments Compliance Notices (PCNs) under s69, should be published every six months (once the relevant provisions in PA have come into effect), which means that reporting will be more frequent, compared to previous reporting which was annual. PCNs also align reporting requirements with those in the private sector under the Reporting on Payment Practices and Performance Regulations.

Additionally, once the relevant provisions in the PA have come into effect, contracting authorities should publish specified information about payments of more than £30,000 made under a public contract on a quarterly basis (s70). Please refer to the **transparency notices document** for further information, and regarding exemptions and notice variations.

Supplier financial standing

Contracting authorities should use the **Contract Tiering Tool** to identify their key suppliers and monitor their economic and financial standing (EFS) on an ongoing basis. The frequency of review should reflect the contract criticality, perceived risk of failure, the frequency of the supplier's own financial reporting regime and any contractual arrangement for data provision.

For suppliers of Silver and Gold contracts, monitoring should be carried out at least annually. Reviews should normally take place following publication of the supplier's statutory accounts on Companies House and include a review of EFS metrics using the latest accounts supplied to the authority and any reported information under the contract. Where appropriate, monitoring should cover not just the contractual financial distress events but take a wider view of the supplier's business performance against the contract KPIs and wider commercial behaviours. The focus should primarily be on liquidity and solvency.

Where contract delivery is reliant on subcontracting, contract managers should also be aware of the financial standing of critical suppliers. This can be facilitated through

supply chain mapping and for more information on this please refer to the **relationship management** chapter.

Where the supplier is an SME there may be limited publicly available data to allow contract managers to assess the supplier's ongoing financial standing. In these circumstances having regular engagement, a strong relationship and leveraging contractual provisions for information sharing (if applicable) are the best strategies to monitor the supplier's financial standing.

Further information on monitoring the EFS of suppliers is included within the **Assessing the Economic and Financial Standing of Bidders and Suppliers** Chapter 4.

Performance management

When managing a contract, the desired outcome is a win-win situation where both parties benefit. In order to obtain a win-win outcome, collaboration is needed between the contracting authority and the supplier and this can be facilitated by effective relationship management.

While reaching out to suppliers on an ad-hoc basis is important for addressing immediate issues or queries, contracts should outline a clear governance path for formal performance management (see Governance section). This ensures consistent measurement and tracking, helping to meet contract obligations and secure value for money. Proactive performance management also minimises the risk of unexpected issues. The approach should be tailored to the contract's size, complexity, and nature, with contract managers adapting their actions accordingly.

To manage performance effectively, contract managers should refer to the contract management plan, which includes relevant information such as payment terms. Keeping this plan up to date is crucial.

RACI matrix

Responsible	**A**ccountable	**C**onsulted	**I**nformed
Individual is responsible for completing an action	Individual is accountable for the ultimate result	Individual needs to be consulted on the deliverable	Individual just needs to be informed on the outcome

At the commencement of a contract a RACI matrix should be agreed to make it clear where the responsibility for delivering on contract obligations lies for suppliers and the contracting authority. It enables stakeholders to concentrate on their tasks and mitigates the risks of duplications of tasks, tasks getting missed and misunderstanding of responsibilities. To complete a RACI assessment, individuals are mapped according to their responsibility for each deliverable.

Below is an example of a RACI matrix for a project to purchase incubators in a hospital.

Project 'Buy Incubators'	Head of finance	Finance officer	Medical Director	Medical Lead	Commercial Lead	Commercial Director
Specify incubators	Informed	Informed	Accountable	Responsible	Consulted	Informed
Gain financial approval for purchase	Accountable	Responsible	Informed	Informed	Informed	Informed
Tender for incubators	Informed	Informed	Informed	Consulted	Responsible	Accountable
Accept incubators	Informed	Informed	Accountable	Responsible	Consulted	Informed

Obligations matrix

Each obligation should be regularly managed and tracked to ensure it is fulfilled, with actions taken if necessary to address any shortcomings. An obligations matrix, informed by the RACI assessment, can be used for this purpose.

An obligations matrix is a document that captures each obligation, for both the supplier and the contracting authority, detailing the 'who, what, where and when' for each obligation. The purpose of an obligations matrix is to assess deliverables and milestones. It evaluates delivery against timelines and quality standards, typically using a red, amber, or green (RAG) rating to indicate progress.

Usually, the business case for a new contract should contain details of the benefits anticipated and these should be monitored and reviewed in line with the changing organisational needs and priorities throughout the contract term. See the **Commercial Benefits Realisation Guidance Note** for the specific requirements for tracking benefits realisation annually.

Accurate record keeping

There is a requirement to ensure accurate record keeping, including around performance measures. This includes minutes of meetings, agreed actions, variations to the contract, all which provide a clear audit trail. This not only makes any contract management handovers easy but helps avoid misunderstandings and provides evidence, disclosable in court in the event of a formal dispute.

Record keeping is also important as, in certain circumstances, informal and/or verbal agreements between representatives of suppliers and the contracting authority can be contractually binding. Having an accurate record of all performance makes it clear the standards and expectations for delivery under the contract going forward.

Contract managers should have defined and standardised processes for record keeping which can range from physical filing of documents and spreadsheet records to digital audit trails. Digitisation of contract management systems and processes helps to support accurate record keeping. Accuracy can be further improved by shared systems with the supplier.

Performance monitoring using MI and data

Data from multiple sources should be used to monitor performance against metrics and targets. The contract will define what data the supplier should report on and when it should be shared with the contracting authority. In addition to this, the contract may include processes relating to data, such as supply chain feedback, customer feedback, and systems reports.

All this data is often referred to as performance data or MI. Supplier scorecards are one way of tracking performance against quality, cost, delivery, and responsiveness metrics.

For larger projects that use KPIs, KPI trackers and dashboards should be used to monitor performance. For most contracts regulated by the PA, certain performance information shall be published. See the **KPI reporting** section for more information.

Good quality data and information are key to enable good contract management. They facilitate evidence-based decision making which helps to deliver more favourable outcomes.

Lessons learned logs

One document that can help improve performance is a lessons learned log. Lessons learned logs should be filled in where better ways of working were identified during contract delivery. Lessons learned logs highlight areas for improvement which can help improve performance and can be helpful to other future contracts with the same supplier or similar goods and services.

Supplier assurance

Contract managers should ensure that all checks on matters such as insurances, accreditations, and security standards (i.e. data protection and cyber security) are completed at intervals prescribed in the contract.

Exercising audit rights

Contractual rights of audit should be used to ensure correct processes and pricing are adhered to. Other examples may include:

- **Financial records:** To verify transactions and ensure charges align with contract terms.
- **Compliance:** To check adherence to any required regulations and contractual obligations.
- **Performance metrics:** To assess compliance with KPIs and SLAs.
- **Quality assurance:** To evaluate the quality of goods or services.
- **Data protection:** To ensure adherence to UK GDPR.
- **Subcontracting and supply chain checks:** To review relevant subcontract terms and supply chain performance.
- **Sustainability and social value:** To verify adherence to sustainability targets and social value commitments.
- **Security:** To assess security measures, including relevant physical or cyber security.
- **Inventory and asset management:** To account for asset use and management and obtain up-to-date records.

Many of these audit exercises can be carried out through site visits to conduct in-person assurance checks. Contracting authorities should consider the use of site visits and evaluate their effectiveness based on the proportionality and criticality of the contract.

Contract management meetings

Sometimes known as service, project or programme reviews, these are usually prescribed in the contract but should take place at a defined frequency with an agreed attendance list. Standard agenda items should include:

- agreement of previous minutes.
- overview of performance (usually led by the supplier presenting their performance pack or report for the period).
- risk management to identify and track any potential risks to delivery of the contract with agreed mitigations where possible.
- discussion of current issues.
- continuous improvement and innovations, including potential cost saving initiatives.
- disputes.

In order to make these meetings as effective as possible it is important that the right people are in the room. This will vary depending on the type of contract, but should include at least one individual involved with operational delivery from each side.

Performance reports should include details of:

- KPI performance against targets with narrative to support both achievement or under achievement.
- end-user or customer complaints management (volume, reason, resolution).
- details of end-user or customer engagement including customer satisfaction surveys.
- obligation tracking.
- opportunities (including savings and service/product improvement, etc.).

KPIs and SLAs in contract management

KPIs and SLAs are important contractual tools to monitor how well suppliers meet their contract obligations.

KPIs provide quantifiable indicators that enable the tracking of contract goals, outcomes, expectations and obligations on contract parties.

SLAs record formal agreements regarding expected quality, standard and level of service delivery. SLAs are particularly relevant to service-based contracts where success is generally measured based on availability or level of service provision.

KPIs and SLAs inform risk and issue management and enable transparency and accountability in terms of supplier performance. This can help to improve communication and collaboration across contract teams based on factual data.

By defining value and desired outcomes, and embedding these within contracts through KPIs and SLAs, contracting authorities provide clear direction to suppliers on expectations, focusing delivery of contractual obligations against desired outcomes.

In order to be as effective as possible, KPIs and SLAs should be SMART. This means they should be specific, measurable, achievable, realistic, and timebound with a clear timeframe for delivery.

Specific	**M**easurable	**A**chievable	**R**elevant	**T**imebound

SMART KPIs are usually measured and tracked against metrics relating to:

- availability
- target time
- deliverability
- frequency
- customer satisfaction
- outcomes

Generally, it's advisable to limit the number of KPIs to as few as it takes (while remaining compliant with PA) to ensure good performance. This is because a high number of KPIs doesn't equal more quality and the more there are, the harder it can be to track and measure performance. More than 10 to 15 KPIs could lead to over-complicated contracts and ambiguity with suppliers.

KPIs and SLAs should be regularly reviewed during the contract's duration to ensure they are still relevant and achievable. Most contracts include review intervals for KPIs and SLAs. In these instances, these intervals should be followed.

KPIs and incentivisation

SMART KPIs incentivise supplier delivery. They enable performance management and incentivisation using reward and incentivisation models.

The process of defining what value is, together with developing clear outcome statements to measure delivery, provides an opportunity to drive the right behaviours in contracting environments.

Here is an example of a smart KPI, with a target time metric, for a service delivered by a supplier which includes a helpdesk:

95% of calls made to supplier helpdesk during business hours (08:30-18:30, Monday to Friday) are to be answered within 5 rings, during each measurement period (every 2 weeks).

KPI reporting

Effective management and transparent reporting of KPIs are central to robust contract management. Central Government Departments, their Executive Agencies, and Non-Departmental Public Bodies should publish KPIs quarterly.

The PA provides a clear legal framework for KPI management. For public contracts over £5 million (certain exclusions apply), contracting authorities must set and publish as part of the Contract Details Notice (UK7) at least three KPIs. The KPIs considered most material to contract performance must be assessed and published in the Contract Performance Notice (UK9). The legislative minimum is that all contracting authorities shall assess performance and publish related information at least once in every 12-month period during the lifecycle of the contract, and on contract termination.

Central Government Departments, their Executive Agencies, and Non-Departmental Public Bodies should publish KPIs quarterly for all gold contracts (regardless of value) and all silver contracts with a total spend above £5 million. However, this policy does not apply to any PA contracts with specific exemptions under the act, such as light touch contracts. The mechanism for publishing these KPIs is the UK9.

Contracts awarded under the PCR that meet these criteria must continue to publish KPIs via the existing process.

For Social Value, the PA contracts may report social value KPIs as one of the three required and for PCR, contracts already publishing social value KPIs should continue to do so.

For new procurements (after 24 February 2025) let under the PCR, contracting authorities do not need to start reporting on the social value KPI. For legacy contracts already reporting a social value KPI under the PCR, in-scope contracting authorities should continue to report their social value KPI in the usual way; quarterly and published on the GOV.UK website.

In essence, the PA makes KPI management and public reporting a legal requirement for major contracts, whilst under PCR, these remain Cabinet Office policy obligations. In both cases, Cabinet Office policy should be followed for Departments. These KPIs should be clear, outcome-focused as transparent reporting is expected as core elements of contract management.

Contracts without KPIs and SLAs

Not all contracts are suited to measuring performance through SLAs or KPIs. This can be because of the nature of a sector or proportionality to the size and complexity of a contract. In these circumstances it's still important to evaluate the performance of the supplier against their delivery obligations regularly, whether this be through delivery milestones or supplier scorecards. For contracts regulated by the PA, contracting authorities shall publish details of certain serious breaches of contract and certain performance failures. No matter the performance criteria a contract uses, contract managers need to carefully assess suppliers against the criteria the contract sets out and manage the result accordingly.

Managing underperformance: addressing challenges and solutions

Sometimes, an isolated issue can cause a minor drop in performance, and it is important to agree corrective actions with the supplier. However, ongoing performance failures may indicate that the supplier is struggling to meet the required standards.

In such cases, more frequent meetings may be necessary to identify the cause. Contracting authorities should first determine if the issue has arisen in part due to its own failings to comply with its obligations under the contract. Comparing the supplier's performance to industry standards can indicate underperformance.

It is crucial for contract managers to escalate any persistent problems to the appropriate management level within the contracting authority.

Under the PA contracting authorities shall publish a Contract Performance Notice (UK9) in relation to certain failures to address poor supplier performance and/or consequences of a breach of contract within 30 days of the event. See the **transparency notices document** for further information, and regarding exemptions and notice variations. As this is a new requirement, contracting authorities should take account of the new reporting and transparency requirements, and rethink their processes to ensure it is accounted for in the contract management process.

Service credits

It is critical that contract managers understand the impact of failing the performance measures and what mechanisms are in the contract to address failures, including service credits. Service credits are financial deductions or rebates applied when a supplier fails to meet agreed service levels or performance standards in a contract. They act as a form of compensation to the authority and an incentive for the supplier to maintain required levels of service. However, they can only be applied where they are provided for in the contract.

Rectification plans

When there is consistent underperformance that can't be rectified fully in-house and if prescribed in the contract, a rectification plan can be developed in collaboration with the supplier with the objective of improving adherence to KPIs and overall performance. Typically, this is developed by the supplier due to the provisions within the contract.

However, developing an effective rectification plan in collaboration may be conducive in managing relationships with suppliers, ensuring reliability and quality in the supply chain. It promotes collaboration between organisations and suppliers. By establishing open communication channels with the supplier, may reset the relationship and help get towards full-delivery of the service.

A robust rectification plan aids in risk mitigation, identifying potential issues before they escalate. While each organisation will have specific requirements, key considerations for a rectification plan include the following.

1.	**Define objectives and criteria**	It is important to consider the specific outcomes and benefits that need to be achieved. This may include factors such as improving delivery times and increasing collaboration. Consider current and future needs as well as the risks and opportunities in the supply chain.
2.	**Assess suppliers and identify gaps**	It is important to assess suppliers and identify gaps between their current and desired performance and capabilities. Employing tools such as audits, benchmarks and scorecards will provide comprehensive data to understand the strengths, weaknesses, opportunities and challenges for each supplier.
3.	**Performance monitoring**	Establishing interim performance metrics will help to track the performance improvement of the supplier until expected performance is met. Action plans should be SMART and should include clear roles, responsibilities and resources. It is important to establish clear expectations in terms of service levels, quality standards and compliance requirements through well-defined contracts or agreements and regularly monitor supplier performance against KPIs.
4.	**Relationship management**	Ensure a seamless alignment of supplier goals with the improvement plan and establish regular communication and monitoring mechanisms to allow a streamlined and collaborative approach.
5.	**Risk management**	Identifying and addressing risks associated with each supplier helps to mitigate potential disruptions early on in the supply chain.
6.	**Continuous improvement initiatives**	Conducting regular reviews allows the organisation to assess whether current suppliers still meet business requirements or if changes need to be made. The rectification plan should be dynamic and adaptable as market conditions change. It is important to evaluate the plan's effectiveness regularly and make necessary adjustments when needed.

Performance culture

Constructive organisational culture can help in the effective performance management of contracts. Embedding a 'no-blame' culture with a focus on problem identification and targeted improvement can allow poor performance to be addressed in focused and cooperative manner. It also helps focus attention on discovering the reason behind the poor performance which can help to establish the best way forward.

Contracting authorities should promote this organisational culture and encourage the use of data as a tool for performance management to improve tracking and help to identify areas for further improvement.

Implementation of governmental priorities

When managing a contract it is important to ensure any organisational priorities are being delivered including government-wide initiatives brought in by policy.

This includes policies such as **social value (PPN 002)**, **carbon net zero (PPN 006)**, **modern slavery (PPN 009)**, and **benefits realisation**. Individuals in charge of managing a contract should ensure they have read the contract taking note of the relevant policy objectives and ensure they track delivery of these to encourage progress. Contract managers should familiarise themselves with the policies which have been implemented through inclusion of appropriate provisions in the contract.

Continuous improvement

Departments should meet the commercial standards laid out in **GovS 008: Commercial Functional Standard** and it is advisable that the wider public sector also adopt these. Where the standards laid out in GovS 008 are not met, it is vital improvements are made to ensure best practices.

However, even where practices meet the required standard continuous improvement is important to help drive better commercial practices that can improve value for money outcomes for both the contracting authority and the supplier.

The **Commercial Continuous Improvement Assessment Framework** (CCIAF) is a useful tool to help contracting authorities measure performance and continuous improvement. When the framework is used, regular assessments can help to gauge progress and drive further success.

Exit management: integrating exit strategy throughout the contract lifecycle

Government contracts are often for critical public services. Poorly managed transitions or exits from contracts can result in reputational damage for the government and additional costs.

Exit should be planned for before the contract is awarded and should continue to be considered throughout the life of the contract. If exit is only being considered near contract end, it is too late.

The exit strategy should therefore be integrated throughout the contract lifecycle, following a 3-step framework.

1. Procurement process	• Exit process is set out at high-level in contract. Generally includes obligations on the supplier to provide information and provisions for an exit plan to be developed. The contract will also detail exit obligations for the contracting authority.
	• Consider if the service needs to continue post-contract and how to account for re-procurement, transition or an in-house replacement in exit planning.
	• Consider the need for extension options for the contract.
	• Account for the risks of exit in the risk register.
2. Planning and managing	• Develop an exit plan with the supplier. Exit plans may be required from the start of the contract so that the business understands the process and what actions are needed to manage the exit.
	• Ensure exit-related obligations are met throughout the life of the contract, i.e. regularly review exit plans and regularly update information like employee registers and asset logs. A RACI can be useful to keep track of this.
	• Start the exit process early (approximately 12 to 18 months prior to the contract expiry date) depending on size and complexity of the contract, in order to ensure all information is known prior to contract exit.
	• Consider impacts on cost and personnel, e.g. TUPE obligations.
	• Develop communications strategy to share information with stakeholders about how the exit will affect stakeholders and if there are any service changes.
	• Review exit risks and mitigation strategies.
3. Implementing exit	• Follow and manage the exit plan and exit provisions in the contract. Keep in mind risk mitigation throughout.
	• Reconfirm milestones, deliverables and obligations for exit with supplier.
	• Ensure assets are returned as contractually agreed and all data is dealt with in accordance with the contract security requirements and data retention policy.
	• Where there is continuity of service after exit, encourage knowledge transfer and collaboration between the current supplier and new supplier or equivalent in-house team.
	• Enact communications strategy.
	• Complete lessons learned review.

Termination

Contracts can generally be terminated early on the basis of either fault or no-fault grounds, as set out in the contract itself or implied by law.

Fault-based termination typically involves serious breaches by one party, such as failure to perform material obligations. However, early termination may also arise from other specified grounds, including non-breach scenarios such as insolvency, change of control, or legal or regulatory requirements; these may be expressly stated in the contract or implied by legislation.

No-fault (or convenience) termination clauses allow one or both parties to end the contract without cause, subject to any notice requirements or financial consequences specified in the contract.

In addition to any expressly stated or implied contractual grounds, parties may also have recourse to common law rights to terminate. Common law entitlements include termination for repudiatory breach (a serious breach indicating an intention not to be bound by the contract) and frustration (where performance becomes impossible or fundamentally different due to unforeseen circumstances).

Unless the termination provisions in the contract expressly exclude other rights, both the implied contract terms and common law rights to terminate will continue to apply alongside the express termination provisions. Contract managers considering

termination should seek advice from legal and commercial experts in their organisation before proceeding.

The business continuity and disaster recovery plan (detailed in the **risk** chapter) should be considered before termination.

Termination rights under the PA

Under the PA regime, contracting authorities may terminate contracts if:

- the contracting authority considers that the contract was awarded or modified in material breach of the PA or regulations made under the PA.

- the supplier becomes an excluded or excludable supplier.

- a supplier, to which the supplier is sub-contracting the performance of all or part of the contract is an excluded or excludable supplier.

These are the three implied grounds for termination under s78(2) of the PA. These grounds expand on the termination rights implied by PCR and strengthen contracting authorities' rights to terminate a contract where the supplier or subcontractor is or becomes an excluded supplier.

In exercising termination rights under this section of the PA, the contracting authority must notify the supplier of the intention to terminate and specify the grounds for this. Finally, contracting authorities shall give the supplier reasonable opportunity to make representations on the decision and grounds for termination (s78(7)).

The **Cabinet Office Model Services Contract** ('MSC') and **Mid-Tier Contract** include explicit termination rights reflecting s78(2) of the PA. In the MSC these can be found in the 'Termination Rights' section of the Core Terms, and in the Mid-Tier these can be found in the 'Ending the contract' section of the Core Terms.

In all situations of contract termination, a Contract Termination Notice (UK11) shall be published. This needs to include the reason for termination and specific details where termination arises as a result of breach of contract (regulation 41(2)(h) of the Procurement Regulations 2024). Please refer to the **transparency notices document** for further information, and regarding exemptions and notice variations.

Contract extension

On occasion contracts may require an extension due to delays in re-procurements or poor planning.

While most contracts include extension options, it is essential to prepare for possible changes in scope, terms (e.g. social value requirements) and new legal requirements that may have occurred since the contract signing.

When considering a contract extension you should:

- define a clear strategy
- comply with the relevant law
- maximise value for money
- account for practicalities of execution

(**A more detailed extension checklist can be found here**).

Contract managers considering extending their contract should seek advice from legal and commercial experts in their organisation before proceeding, especially if there is no option to extend in the contract.

Transition

Service contracts, and some goods contracts may require a transition phase. This should be planned out in advance and the current contract management team should liaise with the team responsible for procuring the new contract.

For more information on how to manage a transition please refer to transition management within the **mobilisation** chapter.

Key points

1. Contract managers should monitor contract spend and all invoices ensure payments are made in line with the pricing mechanism, for example, ensuring milestones are achieved for milestone-based pricing.

2. Critical suppliers should be identified and their economic and financial standing should be reviewed on an ongoing basis.

3. Contract managers should refer to the contract management plan to help execute effective performance management.

4. At the commencement of a contract a RACI matrix should be agreed.

5. Throughout the contract there should be defined processes for accurate record keeping.

6. Multiple data sources should be used to monitor contract performance.

7. Contractual rights of audit should be used to ensure correct processes and pricing are adhered to.

8. Any KPIs and SLAs should be SMART (Specific, Measurable, Achievable, Realistic, and Timebound).

9. KPI transparency and reporting requirements shall be followed.

10. Departments shall meet the commercial standards laid out in GovS 008: Commercial Functional Standard.

11. Exit should be planned for before the contract is awarded and should continue to be considered throughout the life of the contract.
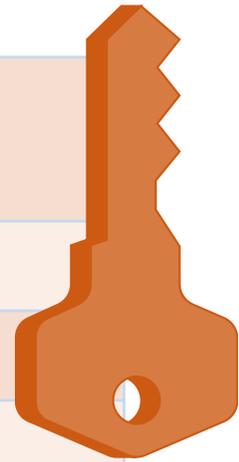
Want to know more?

1. The Should Cost Modelling Guidance Note.

2. Off-payroll working (IR35): detailed information.

3. Procurement Policy Note 05/16: Open book contract management and Open Book Contract Management Guidance.

4. Procurement Policy Note 015: How to take account of a supplier's approach to payment in the procurement of major contracts.

5. Assessing and monitoring the economic and financial standing of suppliers guidance note.

6. Benefits Measurement Guidance note.

7. 'Guide to using the Social Value Model' (section 4).

8. Procurement Act 2023.

9. Transparency data Key Performance Indicators (KPIs) for government's most important contracts.

10. Procurement Policy Note 002: Taking account of social value in the award of contracts.

11. Procurement Policy Note 006: Taking account of Carbon Reduction Plans in the procurement of major government contracts.

12. Procurement Policy Note 009: Tackling modern slavery in government supply chains.

13. Benefits Measurement Guidance note.

14. Government Functional Standard GovS 008: Commercial and Commercial Continuous Improvement Assessment Framework.

15. Civil servants can access a contract extension checklist for complex contracts.

16. For more information on best practice contract management civil servants can access the Central government and wider public sector contract management network and contract management good practice guide.

5. Change management

Sometimes after a contract is awarded details may need to change (e.g. start date, deliverables, timeframes). Contractual change management is an important part of contract management and must be agreed by both parties and carried out in accordance with legal requirements and should comply with policy guidelines with accurate record keeping.

External factors or changes in circumstances may necessitate contract modifications to maintain effectiveness. Change presents both risks and opportunities for the contracting authority, with various triggers and types.

Effective change management is crucial to enhancing positive outcomes and reducing any potential negative effects. Every change should follow a structured process, with internal governance being a key focus for contract management professionals. Accurate documentation is essential for maintaining audit trails and ensuring the contract reflects the current agreement with the supplier.

Change as a positive opportunity

It is important that contracts are right from the beginning and are set up in a way that is sustainable for the duration of the contract.

However, sometimes a change in circumstances can offer up opportunities for both parties. New developments in processes, technology, or restructuring of organisations can create more efficient ways of delivering contract obligations that can improve delivery outcomes and save money.

It is important to note that legislation dictates what changes can be made, but where permissible opportunities that arise should be seized by enacting change.

Types of contractual change

There are different types of change, the most useful distinctions to understand for contract management are:

- **Predicted changes:** These are expected and may be planned for. These changes may have been identified or flagged in the procurement stage.
- **Unpredicted changes:** These are unexpected, such as sudden external regulatory changes or unforeseen challenges in the supplier market.
- **Formal changes:** These are where changes are made that would require a change to the contract terms. They will require official documentation and may require internal approval.
- **Informal changes:** Changes that do not require a change to the contract terms, agreed upon through simple communication with the supplier to adjust to triggers and ensure contract deliverability. They should still be documented for clarity and auditability.

(Note that these categories do not align with the modification grounds as laid out in the PA. For the relevant legislative requirements, please refer to the PA and the relevant guidance.)

Each contracting authority will have its own processes for each type of change taking into account the legislative requirements. Note that the PA introduces four new modification grounds in addition to the four grounds that existed under previous legislation. Contract managers should ensure that both the relevant legislative requirements and internal processes are followed. As a matter of best practice, contract managers should take legal advice in significant contract change decisions.

Interdependent contract change

When enacting change it is important to consider whether the contract is linked with any other contracts. An example here would be goods contracts linked to separate service contracts. Changes to the goods contract could affect the deliverables of the service contract and may mean that the contract needs to go through the change process as well.

It is important that contract managers are aware of these links between contracts and consider the implications before enacting change. This can help achieve early identification of any change to the linked contract and can prevent any problems down the line.

Change triggers

Triggers for contract change may arise from a variety of factors. These include situations arising within the contracting authority (internal) and situations which have materialised in the environment (external).

Early identification of change

Identifying change early can allow both parties to prepare for the change, this can help prevent any disruption to delivery and allow for mitigations to be put in place where appropriate.

Change should be a standing agenda item in any contract review meetings to encourage early identification.

Internal

Internal restructuring, unexpected budget changes, or shifts in senior leadership can necessitate contract adjustments to ensure contract delivery. Any internal changes should be communicated early to the supplier, providing as much notice as possible before implementation. Early communication is crucial since the supplier must agree to any changes and might be unaware of internal triggers in the contracting authority.

External

Changes in the external environment in which a contract operates might affect the achievability of its desired outcomes, requiring formal changes. However, not all external events should result in the need for contractual changes. Proactive steps can be taken to mitigate risks without altering the contract.

A STEEPLED analysis, which considers social, technological, economic, environmental, political, legal, ethical, and demographic factors, is a useful tool for assessing how external factors might impact a contract.

STEEPLED factor	Example
Social	Changes in working practices.
Technological	Developments in technology such as artificial intelligence.
Economic	Increases in inflation, tax, National Minimum Wage.
Environmental	New working practices that better protect the environment and environmental legislation or regulations.
Political	A change in government.
Legal	New legislation.
Ethical	Discovery of unethical practices, e.g. modern slavery in supply chains.
Demographic	Changes to the characteristics of the population, e.g. age, diversity, level of education.

Contract changes due to external factors can be initiated by either party, making collaboration essential, especially in situations where there is an uncertain external environment.

Contract managers should communicate any significant changes in the external environment to suppliers in order to ensure that contract remains achievable. This early identification of potential changes helps both parties prepare and manage the change effectively.

Regulation of contract modifications

Contract modifications are a routine aspect of contract management, necessary to ensure contracts remain effective as circumstances and requirements evolve.

However, when change is made to a contract's terms, with both parties' agreement, contract managers must ensure that these modifications fully comply with the relevant procurement legislation.

A contract may only be modified if the change falls within one of the permitted legal grounds. This will depend on whether the PA or PCR applies to the relevant contract – please see this guidance for more details. More information on permitted modifications can be found **here**.

Legal requirements and scope

Formal contractual change can only occur within the parameters set out in the contract and permitted by law and should not contradict or duplicate any existing contractual provisions which are not being changed. Where a change is not legally permitted, a separate procurement requirement shall be commenced to fulfill this need in order to be legally compliant. In these instances, contract managers should engage with the relevant procurement team.

Reference should be made to sections **74 to 77 and Schedule 8 of the PA** regarding the modification of contracts regulated by the PA. Please refer to **Regulation 72 of the PCR** where the contract is regulated by the PCR.

Of particular interest are the relevant transparency requirements for contract modification as well as the limits placed upon contract modifications beyond which supply contracts may need to be re-advertised.

Differences under the PCR

For contracts governed by PCR, the framework for modifications is broadly similar, but there are differences. The detailed thresholds and some justifications vary, and the modification grounds of urgency and the protection of life; materialisation of a known risk; and two new grounds specific to defence authority contracts do not exist under PCR. Requirements to publish modifications are less extensive than under the PA.

In all cases, contract managers should consult their commercial or legal teams early if considering a contract change, ensuring modifications are justified, transparent, and fully compliant with the relevant procurement rules. This approach not only reduces risk but also upholds good practice in contract management.

Early identification of change

Identifying change early can allow both parties to prepare for the change, this can help prevent any disruption to delivery and allow for mitigations to be put in place where appropriate.

Change should be a standing agenda item in any contract review meetings to encourage early identification. Please refer to the **Change triggers** section for more information on what these early identifiers of change may look like.

Using performance measures to indicate a need for change

One key indicator for whether a change may be required is if a supplier is consistently failing to meet SLAs, KPIs or other performance measures.

Multiple failures could be caused by internal or external factors affecting the supplier or could be a result of the contracting authority falling short on their obligations that limit the supplier's ability to perform their obligations.

Where there are multiple failings, contract managers should look at causation and consider what changes could resolve the issue whilst still delivering value to the contracting authority and complying with the rules on modifying public contracts in the PA or PCR (as applicable).

While changing performance measures are one change that could be considered if they are no longer appropriate, there can be less intrusive changes that maintain the expected standards for the supplier that should be considered and pursued in the first instance.

Change control process

Change control is the formal and defined process for changing anything detailed within the contract. Contract managers should be aware of their own organisational policy on change and the rules within the relevant procurement regime.

Contracting authorities may have specific policies, including the use of specific templates, for contract managers to follow in addition to the change control process being set out in the contract. While these may be aligned, it should be noted that the contractual process will always take precedence.

All changes following the change control process must be approved by those authorised to do so. Contract managers should ensure they consult the necessary experts (i.e. commercial and sector specific experts) and legal expertise for any significant changes, especially in situations for more complex and/or contentious changes. Contracting authorities should collaborate with the supplier during the change control process to continuously encourage a positive working relationship.

An example of a basic change control process is provided below, but note these may vary depending on the type of change, organisation, and what is detailed within the contract.

Suggestion of change	The supplier or the contracting authority suggests a change. This provides the opportunity for each party to propose a change on a defined form from the contract.
Proposal	The supplier prepares a clear proposal, indicating the effect of the change to price, risk etc. All relevant aspects of the contract are addressed.
Review	The contracting authority reviews this change control notice (CCN). The discussion around the details might take place.
Decision	Go/no go decision. This allows the contracting authority to review and agree or for authority to request adjustments within an agreed timescale.
Sign-off	CCN signed off by both parties and the contracting authority updates its working version of the contract with the effect of the change. This usually obligates the supplier or the contracting authority to amend a copy of the contract to highlight the effect of the change on the text.
Record	Both accepted and rejected changes are stored in the project library and recorded in the change control register. Once the change is agreed, provide for both parties to sign it off on a formal document, usually called a change control.

Table adapted from CMCP Foundation Training.

Materialisation of known risk

If the contract was awarded under PA, then in certain circumstances modifications may be permitted if "known risks" materialise that were identified in the tender or transparency notice (please see **Contract Modification Guidance** for further details). These risks should be laid out clearly in the handover documents such as tender notes to be incorporated into the contract management plan. Please refer to the **contract management** in the pre-award stages chapter for more information on contract management plans. For more information on notices please refer to the **transparency notices guidance**.

Innovation in contract change management

New developments are consistently creating more efficient ways of delivering goods and services. Where developments offer an opportunity to increase value for the contracting authority and supplier, contract managers should consider enacting change to allow the extra benefits to be gained. This should only be done where the legislation and policy governing change allows.

For more information on innovation and case studies please refer to the Department for Science, Innovation and Technology **UK Innovation Strategy**.

Managing change

For a change to be successful it needs to be effectively managed and a defined process should be followed. The change process should include analysis of all relevant factors before enacting a change.

Understanding business needs in the context of change management

When enacting change it is important for the contract manager(s) to have a full in depth understanding of the business needs. This includes having a full understanding of the aims of the contract as well as the current capabilities of the supplier. Another key aspect is being aware of the roles and responsibilities of all individuals involved with the contract from both parties.

A RACI matrix is the easiest way to have a clear understanding of who is responsible for each obligation. This ensures these individuals are notified about the potential change and how this will affect their obligations.

For more information on RACI matrices, please refer to performance management in the **managing contract delivery** chapter.

Change in budget/financials

It is important to keep track of contract spend. For example, the amount a contract value would increase as a result of a contract modification is often relevant to whether the modification will be lawful under the relevant procurement regime: some grounds for making permitted modifications have specific value thresholds. Please refer to the relevant rules and contracting authorities shall ensure changes do not exceed these thresholds, where applicable. If in doubt, please obtain legal advice.

For further information on managing contract financials please see budgets in the **managing contract delivery** chapter.

Document and record keeping

Accurate record keeping is essential in change management. Contract management may be split among several individuals or teams and these may change over the duration of the contract.

When change is being implemented it is important any change is documented clearly so all parties and individuals are up to date with the contract requirements.

Accurate records are also important for internal audits. Change must be in accordance with policy and legislative requirements so it is vital there is an up-to-date accurate audit trail in case the contract is audited in the future.

Some important documents to consult and update when managing change are:

- the contract
- general communication
- change log (or change control register)
- contract management plan
- obligations matrix
- lessons learned log
- risk register

Impact of change on supplier and stakeholder relationships

Change can be one area where the supplier relationship can be enhanced or damaged. Last minute or poorly planned change can put a strain on stakeholder/supplier relationships. Therefore, other than changes where there is a contractual right for one party to make the change, it is best practice for changes to be mutually agreed between parties at the earliest opportunity with enough time for parties to consider the interdependencies and practicalities of the change.

Clear and early communication of change alongside collaboration with the supplier and key stakeholders throughout the change process can help strengthen the relationship between both parties and set the change up for success. Moreover, maintaining a positive and collaborative relationship with the supplier is vital for encouraging an environment that is conducive to productive change conversations and the delivery of change. Please see the **relationship management** chapter for more information.

Benefits realisation from change

Benefits realisation is all about tracking the benefits gained from the contract. It is important to include benefits gained from change when tracking benefits realisation of contracts as this helps future contract managers of the same or similar contracts to see the benefits gained from any changes made. For more information please see the **Commercial Benefits Realisation Guidance note**.

Key points

1. Any contract change shall be carried out in accordance with legal requirements and policy guidelines and there should be accurate record keeping.

2. Accurate documentation is essential to provide audit trails and ensure the contract accurately reflects the current commercial arrangement with the supplier.

3. All change must be approved by individuals authorised to do so.
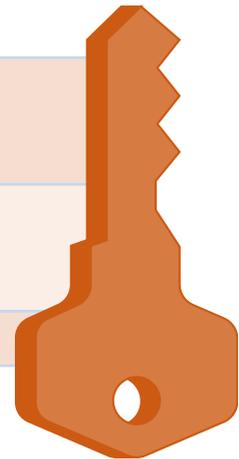
Want to know more?

1. **Public Contracts Regulations 2015, regulation 72**.
2. **Procurement Act 2023, sections 74 to 77 and Schedule 8**.
3. **National Procurement Policy Statement**.
4. **UK Innovation Strategy**.
5. **Benefits Measurement Guidance note**.

6. Relationship management

Relationship management involves identifying and managing relationships with a variety of stakeholders to support their delivery of contractual obligations and ensure that the contract is delivering for end-users.

Poor contractual relationships can arise from several issues, such as:

- Ineffective or lack of communication, leading to misunderstandings and missed opportunities.
- Differences in expectations or interpretations of contract terms, often due to insufficient effort in understanding each party's goals and motivations.
- Power imbalances, where one party has more influence, potentially causing conflicts over pricing, delivery schedules, or specifications.
- External factors like economic downturns, natural disasters or political instability, which may pressure one or both parties to become overly focused on their own concerns.

Effective relationship management is vital in fostering cooperation to resolve these issues amicably. It allows risks to be identified early and aids in developing feasible contingency plans.

To begin managing relationships, it's crucial to identify stakeholders and devise a strategy to engage them, ensuring effective delivery of contractual commitments and benefits for end users. Contract managers should recognise all relevant stakeholders and establish an engagement approach suitable for the delivery goals and each stakeholder's influence.
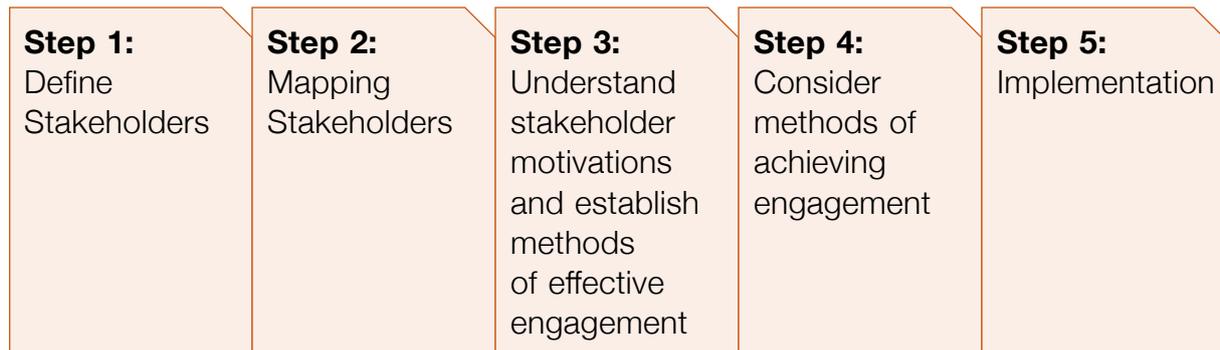
A significant portion of stakeholder engagement will be with the supplier, where it's important to nurture a collaborative, mutually beneficial relationship to optimise supplier performance and prevent disputes.

Underlying all relationship management are the soft skills necessary for positive and productive stakeholder interactions that support the achievement of value for money outcomes.

Stakeholder management

Understanding and engaging stakeholders contributes to strong relationships by developing an understanding of the desires and needs of each stakeholder or group of stakeholders and proactively planning how they can be kept satisfied or engaged.

A useful method of planning this is to use a stakeholder engagement strategy. Not all the steps below may be proportionate to the contract or situation, but should be considered and utilised if possible. The following sections describe what should be done at each stage.

Step 1: Define Stakeholders	**Step 2:** Mapping Stakeholders	**Step 3:** Understand stakeholder motivations and establish methods of effective engagement	**Step 4:** Consider methods of achieving engagement	**Step 5:** Implementation

Step 1: Define Stakeholders

A stakeholder is a person, group or organisation with a vested interest, or stake, in the decision-making and activities of a business, organisation or project. They can either impact or be impacted by the organisation's actions. Stakeholders can be members of the organisation they have a stake in, or they can have no official link or affiliation.

A contract outlines the relationship one party has to the other. Each party will have stakeholders and if they are not managed correctly, they can impact upon a contract's success. Identifying stakeholders to engage with is therefore critical to a contract's success.

Step 2: Mapping stakeholders

Mapping stakeholders is a useful way to identify which stakeholders can impact on a contract's delivery, which allows strategies to be put in place to effectively manage each stakeholder.

Mendelow's Matrix (1991) is a useful tool for mapping stakeholders by power and interest.

Power: the degree to which a stakeholder can influence an organisational or contract/project strategy.

Interest: how interested they are in the organisation or contract/project succeeding?

Level of interest

Level of power

Keep informed

A stakeholder with high interest and low power should be kept informed.

Key player – keep close

A stakeholder with high power and high interest is a key player, who needs to be managed closely.

Minimal effort

A stakeholder who has low interest and low power does not need lots of resource but they should be monitored to ensure that their power or interest does not grow.

Keep satisfied

A stakeholder with high power and low interest is a person or an organisation that needs to be kept satisfied.

It is important to map stakeholders both before and during a contract. Changes to the internal or external environment can cause stakeholders to change quadrants so it is key to keep a track of different stakeholders' power to ensure the most appropriate relationship management strategies are employed.

Stakeholder roles and responsibilities

To enable success in contract delivery, it is important to fully understand the different roles and responsibilities of each stakeholder. A RACI matrix can be used to bring structure and clarity to roles that stakeholders hold in a contract. Please see the managing contract delivery chapter for how to conduct a RACI assessment and produce a RACI matrix.

Specifically for the stakeholders in the supplier's contract management team, it is a useful exercise to align the contracting authority's contract management hierarchy with the supplier's contract management hierarchy in a RACI.

Step 3: Understand stakeholder motivations and establish methods of effective engagement.

After identifying and mapping stakeholders, contract managers should focus on understanding how important and influential they are, as well as their priorities and needs. This understanding guides your engagement approach and may inform RACI matrices.

Begin by evaluating each stakeholder's level of power, interest, and urgency. This helps determine which stakeholders need more or less focus. Then, learn about their specific needs and goals through direct communication methods. Aligning the contract management objectives with stakeholder priorities can encourage support and cooperation.

Once you know their importance and needs, contract managers should tailor the engagement approach. Key stakeholders might need regular updates and involvement in decisions, while others may only need occasional communication.

By focusing on what stakeholders want and need, you set the stage for effective engagement and successful contract outcomes.

Step 4: Consider methods of achieving engagement

It's important that stakeholders feel involved at relevant stages of contract management to ensure everyone is working towards common goal(s).

Benefits of good stakeholder relationships include:

- increased trust and confidence
- increased certainty
- clear understanding
- robust risk management
- increased awareness of organisations and projects

Behaviours

Behaviours (or personal skills) are important for contract management as their effective use can encourage professional and strong working relationships with a variety of stakeholders and suppliers. Stakeholders can have a range of diverse backgrounds and experiences. This should be reflected in the approach to stakeholder relationship management with the aim of being as inclusive as possible. Communication styles and behaviours should be tailored to what each stakeholder expects and/or will be receptive to.

Absence of soft skills can lead to a lack of buy-in from stakeholders, confusion, miscommunication and even dispute. They are a key skill to help align all individuals involved with delivery and ensure all responsibilities are fulfilled.

The Civil Service behaviours lay out 9 behaviours that can help in delivering, effective contract management. All civil servants should exemplify these behaviours but they are also useful for wider audiences as they are key skills to help build and strengthen relationships.

Step 5: Implementation

To put the stakeholder engagement strategy into action, create a simple communication plan adopting the earlier steps. Use this information in management tools such as the RACI matrix to clearly define roles and responsibilities. Contract managers should keep communication open and set up governance structures to quickly resolve any issues.

Finally, regularly check and update your strategy to stay in line with stakeholder needs and organisational goals, keeping focus on achieving successful contract outcomes.

Supplier relationship management

Supplier relationship management (SRM) involves collaboratively reviewing the relationship with the supplier collectively across all of the contracts they share with the contracting authority. This can be helpful in driving more effective engagement with the supplier as well as producing wider ranging benefits from the same level of interaction such as identifying quick wins and sharing best practice across contracts.

Contract managers should consider the applicability of SRM to their suppliers, making use of the GCF's SSRM Guide, in particular **Part 1. Getting Started** which covers how to segment suppliers, identifying those where additional value can be achieved through an SSRM approach.

The benefits of SRM fall into four categories:

Relationship improvement	Operational Improvement	Risk reduction	New value

In order to implement SRM effectively there are 5 fundamental elements that need to be in place, as show in the following diagram.

Creating an environment for true **collaboration** both internally and with the supplier.

Identifying mutual **value**. What is the purpose of the SRM activity?

Ensuring the right **skills** to drive and support the achievement of SRM activities.

Undertaking stakeholder **engagement** both internally and with the supplier.

Embedded accountability and **governance** through a clearly defined meeting and reporting structure.

How to implement SRM

Prepare	Engage	Collaborate	Deliver
Create an engagement plan for commercial, operational and supplier stakeholders. Gather intelligence on the supplier, contracts and the market. Understand the strengths and weaknesses of the various contracts along with potential opportunities.	All individuals involved with the contract on both the contracting authority and supplier side need to be engaged with the process. Focus should be on ensuring that everyone is aligned to the same aims and objectives.	This stage is about creating an environment where we can delve deeper into the relationship, identifying areas for improvement and to generate and share ideas that will create mutual value.	This is the implementation of the SRM. Reporting mechanisms should be established and followed throughout the duration of the relationship. Continued attention should be given to continuous improvement and ways the relationship can be strengthened.

Dispute resolution

Effective dispute resolution involves resolving conflicts before referring to the courts to decide the outcome while maintaining strong relationships with stakeholders. Avoiding disputes should be the initial goal for contracting authorities as this route will generally provide the best value for money for the taxpayer and preserve relationships with

the supplier.

Formal dispute resolution processes (e.g. arbitration and litigation) should only commence after attempts to resolve the dispute through dialogue, negotiation, escalation and mediation have failed to resolve the issues. It is important to note that contracts are usually only terminated mid-way through in extreme circumstances such as the discovery of fraud.

You should apply the following steps to take a proactive approach to avoid disputes;

- Ensure potentially contentious contract terms are clearly defined and understood before the contract commences.
- Ensure issues are raised in regular communication channels to encourage early dispute resolution.
- Where possible maintain a positive relationship with the supplier, with the goal of avoiding contract termination and resolving any dispute by following the correct resolution process.
- Embark on collaborative project planning.

Despite best efforts, disputes can not always be resolved and a formal dispute resolution may be the next course of action. The steps to be followed to resolve disputes will be set out in the contract (e.g. specific clauses in the Cabinet Office Standard Contracts) and can include procedures such as mediation, arbitration and/or expert determination. In all instances of formal disputes, contract managers should take appropriate legal advice.

How to effectively approach dispute management:

- encourage engagement between involved parties to identify issues and options and agree on corrective actions for addressing them
- escalate issues within both organisations, if necessary, to achieve resolution (this is a common process in public sector contracts and should be used as an effective tool in resolving a dispute)
- if the above two steps are ineffective enlist assistance from a third party to facilitate discussion and resolution
- in the last resort use litigation, to resolve complex legal issues with legal assistance.

Contracting authorities should have dispute resolution guidance and resources that contract managers should engage with and follow. Contract managers should be made aware of these materials and should be encouraged to implement this guidance.

Adopting a structured complaints management procedure will reduce the likelihood of disputes being escalated unnecessarily, provide contract managers with clear guidance on how to handle disputes efficiently and uphold the delivery of public sector contracts. Clear guidance for each type of complaint should be developed which sets out the distinction between authority complaints, supplier grievances and end-user concern. The guidance should also specify the responsible parties, escalation paths and timelines for resolution.

Supply chain mapping

Supply chain mapping is the exercise of identifying the different tiers of the supply chain.

By having visibility of the supply chain, early identification of risk can become easier and this allows robust contingency plans to be put into place to support supply chain resilience . Without effective supply chain mapping you risk disruption to the supply of essential goods and services. This becomes particularly relevant in silver and gold critical contracts.

To conduct a supply chain mapping exercise contract managers will be required to collaborate closely with the supplier to obtain accurate data and identify all suppliers.

The direct supplier is usually known as the 'Tier 1' supplier, with its supplier being 'Tier 2' and so forth. The level of mapping will depend on the type of contract but for complex contracts this can be up to several tiers. Service contracts typically have less tiers but mapping is still important to identify potential areas of supply risk.

Key points

1. Contract managers should identify all relevant stakeholders and develop a proportionate engagement strategy ahead of mobilisation.

2. Consider if using SRM would add value, if so make use of available guidance.

3. When disputes arise dialogue, negotiation, escalation and mediation should be used before turning to formal dispute procedures (e.g. arbitration and litigation). Departments should have dispute resolution guidance and resources readily available that contract managers should engage with and follow.
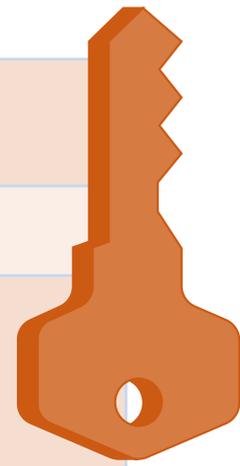
Want to know more?

1. For more information on supply chain mapping, see **Mapping your Supply Chain**.

2. **Civil service behaviours**.

3. For civil servants, **weekly newsletters on government strategic suppliers** can be requested. If you cannot access the form please email **analystdistributionlist@cabinetoffice.gov.uk**.

4. Public service professionals can access tools and more information on SRM best practice from the **Cabinet Office's Strategic Supplier Relationship Management (SSRM) Team's Knowledge Hub**.

5. For more information on training and support offered by the SSRM team please email **markets-sourcing-suppliers@cabinetoffice.gov.uk**.

6. Please email the Complex Transactions Team (internal consultancy team in the Cabinet Office) at **CTTConsultancyOperations@cabinetoffice.gov.uk** who can offer advice and support on; complex contract renegotiations, disputes and exit planning requirements.

7. Proactive risk management

Risk is an essential part of the contract management role and it can pose both threats and opportunities to contract delivery.

For contract managers, risk is a vital consideration and must be identified, monitored, mitigated, and addressed appropriately throughout contract management. **The Orange Book** (management of risk, principles and concepts) should be utilised during the design, execution, and delivery of public services across the contract lifecycle.

Contract management often involves numerous stakeholders across teams or contracting authorities, making collaboration and transparency essential to ensure risk management benefits from the best available information and expertise.

Contract managers should collaborate with suppliers and internal stakeholders to understand and manage shared risks, developing joint risk strategies and governance.

Additionally, risk can be both a threat and an opportunity. Collaborative problem-solving and innovation may drive value creation. Risks are constantly evolving and require ongoing review to identify threats early and seize opportunities for increased value.

Effective risk management allows contract managers to identify internal and external risks and define measures to mitigate negative impacts. Thorough planning and monitoring are essential and risks must be owned to prevent oversights and risk registers should be reviewed throughout the contract's life, continuing even after termination or transition, as risks often emerge during exit.

Risk mindset

Risk management needs to reflect the risk appetite of an organisation. When considering how to handle risk within a contract, it is important to adopt a mindset on risk that answers the question: "How much risk should the contracting authority assume in the context of this contract?" The answer will be informed by what is considered a normal level of risk for a buyer to assume within the sector for the goods or services being delivered and for the type of contract. It will also be informed by the skills, resources, and capacity of both parties, and by the contracting authority's overall risk appetite.

Additionally, it is crucial to understand the criticality of your services and the contract, such as whether they are Critical National Infrastructure (CNI) services or classified as gold, silver, bronze, or critical services as described in the **Contract Tiering Tool**. This understanding will guide the application of proportionate risk management, ensuring that the level of risk assumed is appropriate to the importance and sensitivity of the services involved.

Risk management

To manage risk effectively, risks should be identified as early as possible, the risk should be assessed and a treatment strategy for addressing the risk should be pursued. This process continues during the contract delivery as levels of risk associated with delivering the services will fluctuate because there is always uncertainty in risk.

The **Orange Book** (management of risk, principles and concepts) provides guidance on the design, operation and delivery of public services across the contract life cycle.

Risk appetite statements

Minimising risk and avoiding or transferring as much as risk as possible, given the need to exercise stewardship with taxpayers' money, is an understandable aim.

However, this approach does not always maximise longer-term value for money particularly when contemplating additional expenditure or risk in contracts which encourage innovation or sustainability. Whatever the risk approach is, it should reflect the organisational risk appetite, which should be set out clearly in a risk appetite statement.

For more information on appetite statements, including what they should include and how they should be used, please refer to the **Risk Appetite Guidance Note**.

Risk identification and assessment

Identifying risks involves consideration of threats and opportunities to the delivery of the contracted services. These can be contractual risks such as underperformance, cost overruns and scope creep. There can also be organisational risks such as budget constraints and external risks such as supply chain disruption. While risks are identified pre-award, they should be continually reviewed to ensure there is a full understanding of the risks associated with the contract in the current operating context.

Risk maps, like the one below, are a useful tool for keeping track of the overall risk associated with the contract. Mapping risks by impact and likelihood helps contract managers to prioritise and escalate risk more effectively. Colour coding helps individuals to quickly see the most important risks to monitor by allowing quick identification of highly probable extreme risks.

		Likelihood				
		Remote	Unlikely	Possible	Probable	Highly probable
		1	2	3	4	5
Extreme/ Catastrophic	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

(Impact is the vertical axis.)

A more simple red, amber, green (RAG) rating approach may be more appropriate to assess risk in priority order. Red being the most likely and damaging risk and green being the least likely and least damaging.

Categorising Risk

Part of assessing risks is to categorise them which helps inform treatment options; the most common way of categorising risk is by risk type. Categories of risk include:

- strategic
- operational
- financial
- regulatory
- technological

Please note, sometimes risk will apply to more than one risk category.

It can be more challenging to assess risk when the risk is unquantifiable. Ideally risk assessment is quantitative, based on verified and specific data. Where this is not possible, a qualitative categorisation based on perception and judgement can be sufficient. This can be informed by previous experience and lessons learned from the current contract, previous contracts and similar contracts.

Moreover, it's sometimes possible to ascribe an estimated risk cost, especially for more quantifiable risks which can be useful for understanding the severity of a risk during mapping and evaluating.

Accurately classifying risk into these categories doesn't just inform inter-contract risk allocation, mapping and strategies, but also feeds into the contracting authority's overall view of risk. Some organisations may have risk dashboards to reveal the bigger risk picture so risk can be tackled at a strategic level also.

Risk ownership and allocation

Any risk identified must be owned and risk ownership should sit with the party best equipped to deal with it.

Risk allocation should happen during the procurement stages and should be reviewed continually throughout the contract's lifecycle, updating where necessary. The contract should already allocate the risks and types of risks identified pre-award, but a contract manager will need to work with the supplier to allocate risks identified post-award. Risk can also be jointly-owned when appropriate. For more information on allocating risk please refer to the **Risk Allocation and Pricing Approaches Guidance Note**.

For risks that the contracting authority owns, there should also be internal ownership of that risk by a functional team, i.e. commercial or a specific person within the organisation involved in contract management. The owner of each risk should be clearly identified in the risk register (detailed later in this chapter).

Risk strategies

A response to a risk needs to be proportionate to the severity and likelihood of the risk. A risk strategy aims to set out a reasonable response to a particular risk or set of related or co-dependent risks.

A common tool for determining an optimal and proportionate risk strategy is the '4 T's model' of risk. The model provides 4 mitigation routes: treat, transfer, tolerate, terminate. These are clear and generally appropriate mitigations; however, the model does not encourage more inventive and specific, possibly better, risk mitigation strategies so it is important to also consider what these might be. For best results, the 4T model should be used as a framework to set the parameters for a more specific and creative approach.

Treat	Mitigation or contingency planning actions that reduce the likelihood or possible impact of the risk to ideally stop it occurring.
Transfer	Agree with the supplier to transfer ownership of the risk to them or to a third party (e.g. an insurance firm).
Tolerate	Understand and monitor the risk but don't attempt to reduce its likelihood or impact because it's out of your control or not a significant risk.
Terminate	Don't begin or conclude operating where the risk is present.

The risk appetite should be used to inform the treatment strategy. A risk appetite statement can be represented visually on the risk map as a line.

Any risk sitting beyond this line cannot be tolerated and should be treated, terminated, or transferred.

Treat or contingency planning

For critical risks, contract managers should work with the operational delivery team and suppliers to develop contingency plans that detail (in the case of the risk becoming an issue) either how to resolve or manage the issue. These plans should be developed early on in delivery and continuously reviewed.

Transfer or risk allocation

Ensuring that risks sit with the party best able to manage them is central to the government's approach to delivering value for money and partnering with the private sector. The approach to risk allocation is described in the **Risk Allocation and Pricing Approaches Guidance note**.

The role of the contract manager is to understand how risks have been allocated and review these continually throughout the contract's lifecycle, working with the supplier to mitigate, allocate and manage risks identified post-award. The handover between procurement and contract management should include the risk allocation matrix, government dependencies, allowable assumptions and contract management plan. Any changes agreed during the term of the contract should maintain the principle that risk should sit with the party best able to manage them.

Risk monitoring and reporting

Risk registers

Risks should be recorded on a risk register. It's best practice where suitable for a contracting authority to have a joint risk register with a supplier and share risks – it is especially useful for identifying interdependent and relationship risks. A joint risk register should be equally accessible to all parties.

The register should be regularly reviewed and updated to ensure it accurately portrays the live risks associated with the contract and that any mitigation actions are being taken. To ensure regular review of risk registers, they should be included as a standing agenda item in contract governance meetings. When an internal handover occurs the risk register is one of the key documents that should be reviewed and updated as part of the handover process.

Authority dependencies

For risks that the contracting authority owns, there should also be internal ownership of that risk by a functional team, such as the commercial team, or a specific person within the organisation involved in contract management. The owner of each risk should be clearly identified in the risk register. Furthermore, it is essential to ensure that the authority delivers against its dependencies and that any risks to delivery are actively project managed. This proactive approach to managing dependencies and risks will help maintain the smooth execution of contract obligations.

Issue management

When a risk has materialised, it is key at this stage to maintain an open and proactive dialogue with the supplier to ensure that a user or service-focused solution is applied when risks arise, ensuring service delivery is not compromised.

Organisations should have in place established issue management processes that should be followed. A contract manager should escalate the issue to senior leaders if it is severe and/or requires their input as part of the resolution process. Where there is a contingency plan already in place for an issue that was a critical risk, the plan should be consulted during the issue management process. The project should apply a continuous learning framework and ensure lessons from arising issues are captured and used to inform future service delivery.

In some instances the issue may lead to the contract being onerous. When a contract is publicly designated by a supplier as onerous, this should prompt a root cause analysis and a conversation with the supplier about the options available to address this.

Business continuity and disaster recovery

Business continuity and disaster recovery plans are important especially for critical service contracts. They help to ensure there is no significant gap in provision in case of:

- supplier cease of business (due to bankruptcy, termination, voluntary withdrawal of services by the supplier).
- external events (force majeure, infrastructure failures etc.).

They should be set out in the contract and include recovery time objectives. The most important aspect is that the plans remain achievable and realistic. One way to do this is to include reviewing the plan as a standing agenda item in regular planned contract management meetings where applicable. Another is to test the plan by running exercises that simulate disaster events, using the plan to respond to them.

The conclusions can then inform business continuity and disaster recovery plan reviews and subsequent new iterations to improve service resilience.

Opportunities management

Risk can be an opportunity to encourage collaboration and improve the relationship with the supplier. It's best practice where suitable for a contracting authority to have a joint risk register with a supplier and share risks – it is especially useful for identifying interdependent and relationship risks. A joint risk register should be equally accessible to all parties.

Additionally, horizon scanning and forward planning can be used to inform an organisation's strategy to be more prepared for potential circumstances. This allows the organisation to not just tackle risk but embrace opportunities.

Typical activities a contract manager should consider here is understanding market trends and challenges, the use of new technologies, wider global trends that may affect demand or supply, by applying a helicopter view using tools like STEEPLED.

At the organisational level, risk data can be drawn from across the organisation and set out in central dashboards which can present insights on emerging and prevalent threats and opportunities.

Key points

1. Risk management can identify opportunities to maximise value through contracts as well as mitigating potential risks.

2. Risks should be identified as early as possible, assessed, and have a risk strategy employed which should be regularly reviewed.

3. Any risk identified must be owned and risk ownership should sit with the party best equipped to handle it.

4. The risk approach used throughout the management of the contract should reflect the department or agency's risk appetite.

5. Each organisation should have an established process for when risks materialise into issues.

6. Where a risk had a contingency plan in place, it should be consulted if the risk materialises into an issue.
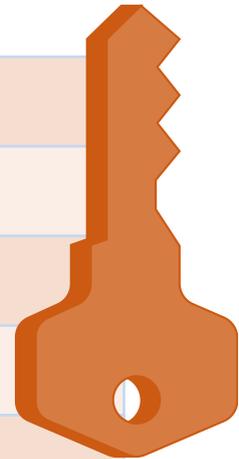
Want to know more?

1. **Risk allocation and pricing approaches guidance note**.

2. **Risk appetite guidance note**.

3. For more information on risk management see The **Orange Book**.

Appendix:
The Procurement Act 2023

Procurement reform

The PA is designed to improve the way that public procurement is conducted, so that every pound goes further in support of our public services. It will enable contracting authorities to procure in more flexible and innovative ways.

The PA includes a duty on contracting authorities to have regard to the particular barriers facing small and medium-sized enterprises (SMEs) and to consider what can be done to reduce or remove them. It also embeds transparency throughout the commercial lifecycle so that the spending of taxpayer's money can be properly scrutinised.

The PA and its associated regulations have implications for the policies set out within this Playbook for contracting authorities in England, Wales and Northern Ireland, and reserved procurements undertaken in Scotland. This Playbook has been updated to reflect the PA and may need to be further updated to reflect associated regulations and best practice in due course.

What is the scope of the Procurement Act?

The PA applies to 'contracting authorities' as defined in Section 2 of the Act.

This typically covers contracts awarded by most Departments and the wider public sector including local government and health authorities. This also includes contracts awarded by utilities companies operating in the water, energy and transport sectors and concession contracts.

It primarily applies to covered procurements, which are the award, entry into and management of public contracts over a certain value. These values, or 'thresholds', are detailed in Schedule 1 of the PA. There are some specific rules that apply to certain procurements and certain organisations for example light touch contracts and private utilities. There are also some rules related to regulated below-threshold contracts. Speak to your organisation's commercial, procurement or legal team if you are unsure whether the PA applies to your procurement or your contract.

The Playbook – the principles of best practice remain

In addition to the requirements under the PA, the Playbook should be applied by Departments when sourcing or contracting for goods and services. All public sector contracting authorities should consider the Playbook's guidelines, rules and principles, which can be considered good practice for any procurement.

The Playbook exists to enshrine best practice and to further encourage continuous improvement. With the introduction of the PA, this appendix seeks to set out the key changes as they are understood now, but reinforce that in many cases contracting authorities have been following best practice that remains more developed than the new legislative standard. Where best practice standards exceed what is legally required by the PA, they have not been realigned unless there are practical reasons to do so.

How does the Procurement Act align to the Playbook?

Competitive procedures

The several prescriptive procurement procedures available under the PCR have been replaced by a simplified and more flexible approach, reducing the number of competitive tendering procedures to just two: the open and the competitive flexible procedure.

The open, single-stage procedure has been retained and broadly operates in the same way as it did under the PCR. The competitive flexible procedure allows flexibility for contracting authorities to design their own procurement

processes to best suit their requirements and local needs (which may include multi-stage procedures), and to get the best from the market while meeting the broader requirements of the Act.

This procedure provides the opportunity for contracting authorities to engage with suppliers during the process through a range of best practice tools that are already referred to in the Playbook, such as pilots, negotiation and dialogue, which can help to drive innovation resulting in a fit-for-purpose solution and achieving value for money. The freedom and flexibility of this new procedure is a big change and offers the opportunity to unlock the benefits of a more commercial approach, allowing procurement and commercial colleagues to use their commercial judgement and expertise.

Minimum timescales for key stages of the procedures are mandated in the Act and contracting authorities are required to consider the nature and complexity of the requirement to choose the most appropriate and proportionate procedure. The process to be followed for a procurement under the competitive flexible procedure shall be described in the tender notice, and contracting authorities are encouraged to undertake pre-market engagement with suppliers to help develop their approach.

Through effective use of this procedure, contracting authorities have huge scope for agility in procurements, driving further uptake of the best practice set out in **The Sourcing Playbook** for use of pilots, testing and negotiation.

Early market engagement

The renewed focus on pipelines means early engagement with procurement or commercial teams is important to ensure that your organisation's future requirements are captured within their planned activities and detailed in relevant procurement notices.

While preliminary market engagement has always been considered best practice to help contracting authorities and suppliers to understand the deliverability of the requirements or explore alternative and innovative solutions, this can be used to help inform and shape a competitive tendering procedure, particularly in the case of the competitive flexible procedure.

The PA reinforces existing best practice in the Playbook, focusing on getting things right at the start, reiterating the benefits to both contracting authorities and suppliers. Early market engagement can help promote forthcoming procurement opportunities and provide a forum to discuss delivery challenges and risks associated with the project.

Pipeline publication

The PA encourages contracting authorities to consider early supplier engagement through reviewing pipelines and the publication of notices. Larger contracting authorities with a spend of over £100 million per year are required to publish pipelines of their future procurements at the start of each financial year.

The Sourcing Playbook already highlights that one of the most important things we can do is prepare and maintain comprehensive pipelines of current and future government contracts and commercial and procurement activity. **The Sourcing Playbook** states that pipelines should be updated every six months whilst the legal requirement as per the Procurement Act is on an annual basis.

Key Performance Indicators

For the majority of contracts (all contracts except frameworks, utilities contracts awarded by private utilities, concession contracts and light touch contracts) awarded with an estimated value of above £5 million, contracting authorities are required to publish copies of their redacted contract documents and all KPIs on the **Central Digital Platform**.

This does not substantially change from the best practice that already exists in the Playbooks for government's most important contracts, but will mean that KPI publication will be required for more contracts than previously and that the focus on getting the right KPIs with suppliers will intensify, making it more important that procurement staff are skilled in framing them appropriately. **The Sourcing Playbook** states that KPIs should be published on a quarterly basis whilst the legal requirement as per the PA is for them to be published annually.

Award of contracts

The Central Digital Platform includes the Supplier Information System which captures and retains a supplier's commonly used information. A contracting authority is required by the PA to access these details from the system when assessing a supplier's eligibility to participate in a procurement, thus eliminating the need for suppliers to input the same information multiple times on different procurements and reducing administrative burden

The PA requires an 'assessment summary' to be provided to each supplier that has submitted an assessed tender along with the successful supplier's assessment summary.

A Contract Award Notice must be published, this signals the intent to award a public contract, and is published after the assessment summaries are issued (s50). The publication of the Contract Award Notice will start the standstill period, where it is applicable, which has changed from 10 calendar days to 8 working days and must be observed before entering into a public contract with the successful supplier (s51).

Once the contract has been entered into, a Contract Details Notice has to be published within 30 days in most cases, providing detailed information about the final contract terms (s53).

Procurement Review Unit

The Procurement Review Unit (PRU) is a new central government body established under the PA to monitor, investigate and improve how contracting authorities conduct public procurement. The PRU key services include:

1. Monitoring of compliance with the PA by investigating non-compliance where it occurs across a number of contracting authorities, or repeatedly in a single contracting authority.
2. Investigating suppliers for addition to the debarment list by considering whether they have met mandatory or discretionary grounds for exclusion.
3. Continuation of the work of the Public Procurement Review Service which investigates poor procurement practice and cases of late payment in public sector supply chains.

Risk allocation

The PA provides new grounds under which contracts can be amended, including to cover scenarios such as the protection of life, and to address complex risks that genuinely cannot be mitigated against in advance of a public contract. This reinforces the Playbooks' approaches to risk.

Amendment grounds from the PCR are retained, but with changes that are designed to make processes clearer and more flexible when a contract modification is required. There are still strict rules about where contracts may be modified, and when a new procurement will be required.

It does remain critical that risks and requirements are captured in procurement documentation from the planning stage. There are a number of transparency requirements during contract management, including the need for Contract Change Notices to be published when contracts are modified, and Contract Termination Notices when they end.

Supplier Information

The PA replaces supplier selection and exclusion requirements with new rules on conditions of participation and exclusions.

The Procurement Regulations 2024, made under the PA, also change the way suppliers share certain information. This includes the requirements on contracting authorities to obtain confirmation from suppliers that they have registered, submitted and shared up-to-date core supplier information via the **central digital platform (CDP)**.

The core supplier information defined in the regulation 6(9) of the Procurement Regulations 2024 is divided into four key categories of information and covers (in summary):

- basic information – this includes (and is not limited to) the supplier's name, unique identifier, address, VAT number (if applicable), legal form and date of company registration (if applicable), details of qualifications/trade associations and classification, for example whether the supplier is an SME and/or a public service mutual

- economic and financial standing information – as set out in the supplier's most recent financial accounts

- connected person information – this includes (but is not limited to) information relating to relevant connected persons such as names, date of birth and nationality, service address and legal form

- exclusion grounds information – this includes information relating to relevant convictions and events that form either a mandatory or discretionary exclusion ground under the Act

The Procurement Specific Questionnaire (PSQ) is an optional template which has been designed to support contracting authorities to comply with and operate effectively under the new regime. It fulfils a similar role to the Standard Selection Questionnaire used under the PCR. It acts as an 'aide' for contracting authorities to receive:

- confirmation that the supplier has registered on, submitted and shared their core supplier information via, the CDP.

- additional exclusions and debarment information.

- information relating to conditions of participation.

Supplier registration system

The PA requires contracting authorities to collect supplier information through different routes. The core mandatory information will be collected from the Supplier Information Service. This is the information defined by legislation and is relatively unchanged in every procurement (parts 1 and 2 in the current standard questionnaire "SQ"). This information covers matters such as supplier name/address/identifier, economic and financial standing, connected persons and exclusion criteria.

It is intended that the contents of the information collected in the Supplier Information Service in the future, iterates. It will in future collect additional modules on policy driven topics. These will include topics currently collected in the Standard Questionnaire Part 3 (Carbon, Payment, Steel, Modern Slavery, Data Protection, Health and Safety). Until these modules are incorporated into Supplier Information Service, authorities will be required to use an updated temporary Selection Questionnaire in addition to the Supplier Information module.

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