



Contract management - How to manage your contract and your supplier

All contracts require a degree of performance management. The amount and detail of contract management required normally depends on the size, importance and complexity of the contract. A set of management information and Key Performance Indicators (KPIs) is included within the individual Framework Terms and Conditions. However, you may wish to consider the following to provide a more robust contract management toolset.

Draw up a contract management plan

The plan will encompass all areas of contract management. It is good practice to consider contract management procedures and requirements when you are first drawing up your tender document, particularly the requirements specification.

Consider the level of performance you are looking for and consider how you will be able to measure and monitor success. It is of little use to specify performance or deliverables that cannot be properly measured, so when creating your requirements, make a note of what, how and when performance will be measured. This will form the basis of your contract management plan.

The plan should cover all the important aspects of the service agreement, normally including:

- Respective responsibilities of both the customer and the supplier;
- Set out the incentives for good performance and implications for poor performance;
- Mechanisms agreed for monitoring the service;
- Timescales and the methodology for regular reporting possibly monthly/termly;
- Standards of service required and the penalties to be applied for failures;
- Acceptable timescales for problem resolution;
- Escalation procedures and dispute resolution;
- Key Personnel;
- Payment terms and admin processes;
- Termination procedures.

The overall ambition is to establish effective long term relationships with key suppliers, to continually improve service levels and to ensure that the best possible value is achieved for funds. It is possible for a legally binding contract to come into existence based on oral statements or even the behaviour of the parties, but good practice requires a written agreement. The agreement should:

- Enable the benchmarking of services over time through performance data;
- Facilitate an on-going assessment of Value for Money.

Service level agreements and value for money

For each significant agreement that is let, supplier performance should be measured by way of an appropriate Service Level Agreement (SLA) which sets out an agreed range of Key Performance Indicators (KPIs) against which supplier performance will be measured.

The supplier may offer you a predefined SLA, which in a lot of cases may cover all of your requirements, or even surpass them. However you are free to develop these or seek enhancements in key areas. If you wish to do this, then consider the following points:

- Are key financial and operating targets in place?
- Do the KPIs cover all aspects of the quality of the services important to you eg. timeliness, reliability?
- Is the necessary information available to monitor the KPIs or can processes be put in place to provide them? (if not it will be impossible to address)
- What is your clearly defined required level of service for each key metric?
- Is there further Management Information (MI) which you may require to augment the SLA information eg. delivery dates rather than just a “delivered in x days” figure?

Where an SLA is poorly defined or applied, it can lead to poor supplier performance (perceived or actual), loss of trust, reduced commitment, misunderstandings and, ultimately, failure to realise the hoped-for and planned benefits of the procurement. The key is to keep a concise set of metrics whilst ensuring all key areas are covered.

Holding periodic reviews

In addition to regular reporting against the SLA and Management Information (MI) received (normally electronic), customers should arrange for regular reviews with the service supplier aimed at reviewing performance metrics and identifying areas of concern early, acknowledging satisfactory performance, discussing upcoming changes needed and ensuring that the agreement is producing the outcomes originally intended. It should be agreed at an early stage who should attend these meetings and the likely agenda items. This will ensure that relevant personnel will be available.

Typically, new agreements may be the subject of weekly/monthly reviews, often moving to monthly/termly or even annual intervals once a ‘business as usual’ state is achieved.

Ensuring service improvement and the remedy of failings

For each review meeting, an agenda should be issued and notes should be recorded of subjects that were discussed, actions that were agreed, who will perform the action and the agreed timescales. These notes should be circulated promptly following the meeting along with the next steps to be taken. In this way performance against actions can be reviewed and failures quickly identified.

If there are serious concerns regarding the service provision, and remedial action is not producing the desired results, it may well be appropriate to escalate the matter to the senior executive named in the contract management plan. This may be escalated by either party, or by both parties at the same time.

Preparing for contract renewal

Well before the end of the contract, you will need to prepare for the next period. Under EU legislation customers cannot renew a large contract with an existing supplier without competition ([current contract value limits](#) are available on the EU website). This competition must be a re-tendering exercise following the full procurement process.

NB: Note that the MI, SLA and Contract Management process is there primarily to enable discussion between yourself and your supplier on key priorities. It is not there for you to “haul them over the coals” as soon as a breach or issue is raised. However if the issue is not, or cannot be, resolved satisfactorily then the data and subsequent notes/discussions may be used to provide evidence to seek recompense or terminate the contract.

For further advice on how best to manage your contract, please contact CG.Communications@education.gsi.gov.uk or schools.ictsupport@education.gsi.gov.uk