



Spelthorne Borough Council Procurement Policies & Procedures

06_Managing Contracts

Managing Contracts

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1. Introduction

Contract Management is an end to end process of managing the requirements of procured works, goods and services. Activities involved in Contract Management are referred to as either 'upstream' or 'downstream' – i.e. those leading up to the award of the contract and those which are required once the contract is active.

Those activities which lead up to the award of the contract (the upstream activities) are perhaps more critical to ensuring successful contract delivery than those which occur after contract award (downstream activities), although both are very important to the successful delivery of your project objectives.

2. Purpose

This is a high level procedure intended to provide officers with an introduction and basic understanding of managing their contracts with selected providers.

Officers undertaking more complex procurements or who are responsible for the management of complex, high value or strategic projects will need further support from both the Procurement Team and Legal Services.

This Procedure will provide an outline approach to Contract Management, including a checklist of some of the key activities required to ensure your contract is executed successfully.

3. Why Contract Management is important

Council officers are required to ensure that contracts for works, goods and services are procured compliantly. They need to achieve the best value for money possible for the Council.

Once a contract has commenced, it is critical that an effective management regime is in place to ensure that the intended outcomes are met.

Monitoring performance against the contract Key Performance Indicators and other specified requirements is key to ensuring the contract's success. A successful contract will perform to cost (and budget), against the specified quality deliverables and timeframes.

The contract needs to work for both contracting parties for it to be delivered successfully. Getting the balance of risk held by each party is critical to ensure strong contract performance and the continuity of supply from the supplier, and to build strong working relationships.

A contract may commit the parties to working together for a lengthy period of time and it is therefore important to develop a collaborative open and honest relationship based on trust and mutual understanding.

4. Contract Management Approach

This procedure recommends a step by step approach to contract management which will require you to:

- Demonstrate a clear understanding of the need for the contract (e.g. identifies a solution to a problem);
- Gain the appropriate approvals to proceed with a project which will end in a contract with a supplier;
- Consult with and put in place the right resources to deliver your project on time, in full and to budget

The Projects Made Simple Toolkit on Spelnet contains some useful (and some mandatory) resources to support the project initiation and approval. Go to: <https://spelnet.spelthorne.gov.uk/article/2897/Projects-Made-Simple-toolkit>

This procedure does not cover those resources in detail, however some of the early steps of this approach are covered within the Toolkit. Note that this procedure does not apply to contracts of employment.

When starting a project that will result in a contract, you will need to take the following **UPSTREAM** actions:

1. If your project exceeds, or is likely to exceed, £40,000 you must **request support** from the **Procurement Team**. Any project over £5,000 will require a contract and therefore also needs support from **Legal Services**.

2. Draft a Business Case which clearly outlines the justification for your project. If a project budget has not yet been approved, a Growth Bid will also be required. You may need support from Finance in this regard.
3. Building on the information provided in your Business Case, draft an Outline Specification of your requirements. This document provides a high level detail of the information that you will provide to the market when procuring your contract.
4. Draft a contract Timetable , ensuring you allow the market sufficient time to respond to your opportunity. Procurement will help with this if the value requires a full procurement which complies with the Public Contracts Regulations (PCR) 2015.
5. Engage with the Market / Soft Market Testing If you have not already done this to enable you to write a full Business Case, you may now want to consider sharing your requirements with providers. The information provided as feedback may further develop your Specification to allow much better project outcomes.
<p>6. Develop Final Specification (please refer to procedure 10_Drafting a Specification of Requirements)</p> <p>This document <u>must</u> detail everything that you need the contract to deliver. If a requirement is not included in the Final Specification, bidders will not include it in their proposal, nor will it be included in their proposed Contract Price.</p> <p>To avoid costly contract variations once your contract is underway, ensure that the Final Specification is as complete as possible.</p> <p>The Final Specification must be signed off by the Budget Holder and then shared with the Procurement team.</p> <p>The Final Specification is a key document that will inform all other documents in the Tender Pack. For example:</p> <ul style="list-style-type: none"> - Tender Questions will be based on the Specification, designed to fully test the capability of bidders to deliver the specified requirements; - Key Performance Indicators, used to measure the success and monitor the performance of your contract, will be designed around the Specification; - the form of contract to be used will be determined by the Specification; - your requirements for reporting and for meeting to review the performance will be detailed in your Specification: and - the exit arrangements for when the contract ends will also be included.

Procurement will support the Tender process for projects over £40,000. Please refer to procedure 07_Request for Quote and Tender Process for more information.

Once the contract is awarded, the following **DOWNSTREAM** activities need to be carried out. These are activities more typically understand to be Contract Management activities, but are no more or less important to the successful delivery of the contract than the upstream activities:

<p>1. A contract commencement (kick-off) meeting should be held. As a minimum, the authorised personnel named in the contract will attend. Depending on the size, value or complexity of the project, senior representatives from both parties may also wish to, or should, attend the kick-off meeting.</p> <p>The kick-off meeting will determine the Terms of Reference and set the Agenda for Contract Review meetings. Building a strong Supplier Relationship will be critical to the contract performance.</p> <p>As a minimum, the Agenda should include:</p> <ul style="list-style-type: none"> - a review of Key Performance Indicators, Service Levels and any other performance measures; - project roles and responsibilities; - the project Risk& Issues Register (where applicable); - Actions both from the previous meeting(s) and to be carried out in the next period; - Payments and contract spend against budget.
<p>2. Referring to the contract mobilisation and commencement arrangements detailed in the Tender Pack, you will need to work with the Supplier to mobilise the new contract.</p> <p>If this is a re-tendered contract, and the goods or services have been provided by a different, incumbent provider, this will need a careful handover, planned and executed in accordance with both the previous contract arrangements and the new contract.</p>
<p>3. Contract review meetings must be set up in accordance with the frequency set out in the Specification / Contract.</p>
<p>4. Contract Performance reporting needs to be established in accordance with the requirements - format, scope and frequency - set out in the Specification / Contract.</p> <p>Officers are required to track contract performance against the benefits assumed in the business case and as specified in the contract, but it should be the responsibility of the Supplier to manage the agreed reporting schedule, ensuring reports are provided without the need for prompting from the Council's contract officer.</p>
<p>5. Management of the Supplier's performance against the service levels specified in the contract is critical to ensure the delivery of the full value for money from the contract.</p> <p>Officers need to be able to recognise the early warning signs of supplier poor performance, which can include:</p> <ul style="list-style-type: none"> - requests for upfront payment, or improved payment terms; - delays to project timelines without prior agreement; - failure to achieve KPI service levels, or implement adequate improvement measures; - changes in key personnel;

<ul style="list-style-type: none"> - Supplier's sub-contractors expressing concern about the Supplier direct to the Council; - customer complaints about the quality of service etc. <p>The Procurement team can support Contract Management & Supplier relationship meetings where required.</p>
<p>6. Officers need to allow sufficient time to re-tender a new contract well in advance of the end of a current contract.</p> <p>The larger and more complex the contract the longer the re-tendering process will be. Officers will need to factor in the time required for the internal approvals process and any statutory timeframes required under the Public Contracts Regulations (PCR) 2015 (see procedure 07_Request for Quote and Tender Process) and refer to the Procurement Team for support.</p>
<p>7. The contract will stipulate the exit arrangements which the Supplier is required to make. These may include, where relevant:</p> <ul style="list-style-type: none"> • Formal notification of contract termination; • Managing the exit timetable; • returning assets (e.g. IT hardware; furniture) provided by the Council for the execution of the contract; • arrangements for staff under TUPE; • working with the new supplier to transition the contract; • records management and data security; • vacating Council premises; • concluding the financial arrangements – payments and or credits due, etc.

5. Summary

The most successful contract management focuses on upstream activities which carefully consider the purpose of the contract and how it will be delivered.

Effective contract management requires the development of strong supplier relationships, which in turn requires a commitment of time and resources from the contract monitoring officer or contract manager.

Support from both the Procurement Team and Legal Services must be sought for higher value, more complex projects.

6. References to other SBC Policies

Contract Standing Orders
07_Request for Quote and Tender Process
10_Drafting a Specification of Requirements

Appendix A – Contract Management Action Checklist

Upstream Activities

ACTION	WHEN TO DO	STATUS	WHO
Legal Services have been advised that a contract will be required (over £5k)	When Business Case approved		Project Officer
Procurement team support is requested and in place	When Business Case approved		Project Officer
Set up project team resources, including project sponsor, project lead, and support from procurement, finance, legal, HR, communications support as required	When Business Case approved		Project Officer
Develop a project timetable (with input from the Procurement team) and sourcing strategy	When Procurement engaged		Project Officer with Procurement
Internal approval for sourcing strategy (e.g. from MAT, Committee, Full Council as required)	When draft sourcing strategy has been developed		Project Officer with Procurement
Draft Outline Specification	When project starts		Project Officer
Carry out market engagement or soft market testing	If required, once the Outline Spec is drafted		Project Officer with Procurement
Draft Final Specification	After market engagement		Project Officer
Develop Tender documents	Based on Final Spec		Procurement with Project Officer
Draft Contract (using Final Spec)	Based on Final Spec		Legal Services
Tender process & period			

Downstream Activities

ACTION	WHEN TO DO	STATUS	WHO
After end of Tender process, and following full internal approval of recommendations to award contract			
Contract kick off meeting	Once the Supplier has been advised of the decision to award the contract (and any		Contract officer / manager

	standstill periods have expired)		
Contract mobilisation	Period specified in the contract		Contract officer / manager
Contract commencement date	As specified in the contract		Contract officer / manager
Contract signature	As soon after award as possible		Contract officer / manager with Legal Services
Contract review meetings	Frequency specified in the contract		Contract officer / manager (with support if required)
Performance reporting	Frequency specified in the contract		Supplier (external) / Contract Officer (internal)
Plan new contract (re-) tender	Depending on size, value and complexity, well in advance of the expiry of the current contract		Contract officer / manager with Procurement and Legal Services
Exit Actions	As appropriate for the end of the contract		Contract officer / manager