

# Contract Management Principles

This document captures some fundamental principles of contract management.

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## **Contract Management Principles**

### **Make sure the contracts are understood by all those who will be involved in their management.**

Make sure that suitable resources are identified and appointed well before award of contracts and that there is an effective handover or transition from sourcing contract management.

### **Be clear about accountability, roles and responsibilities.**

Make sure contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities at appropriate levels of seniority. Make sure contracts have a documented Contract Management Plan.

### **Set up and use strong governance arrangements to manage risk and allow strategic oversight.**

Make sure that governance structures are equal to size and risk of contracts, are suitably empowered and support the business objectives. Understand and use contractual options such as appointment of a Remedial Advisor, Rectification Plans and Step In rights. Make sure suitable business continuity and contingency plans are in place.

### **Take a differentiated approach based on risk.**

Identify tactical and strategic contracts and direct the most or strongest resources to contracts where the risks and rewards are highest. Consider a 'self-managing' approach with exception reporting for lower risk contracts.

### **Manage contracts for business/public service outcomes.**

The owners of the required outcomes should be responsible for successful contract performance and should work closely with commercial staff to manage contracts. Focus on successful outcomes and take account of public service and accountability obligations and risks.

### **Accept that change will happen and plan for it.**

Create flexible approaches to change through joint working with suppliers. Accept that change will affect both parties throughout the contract life, but control costs with strong change control mechanisms. Make sure that senior level assurance and controls are in place to stop changes being made to the strategic intent of the contract.

### **Measure and report on performance.**

Use Key Performance Indicators (KPIs) and data efficiently to:

- motivate good performance
- manage contracts proactively and efficiently
- make maximum use of benchmarking and performance measurement data.

React quickly to issues when they happen. Make sure KPIs and incentives are appropriate and equal to the contract. Challenge KPIs and incentives regularly and ensure a mechanism to change and evolve them through the life of the contract.

### **Work for continuous improvement, value for money and capture innovation.**

Actively use contract tools and provisions to leverage the relationship, increase value for money and apply ideas for improvement.

### **Success is best achieved through working as a fully integrated team.**

Accept that the success of major projects is best achieved through a single team, where the supplier and the client work together to achieve successful outcomes.

### **Encourage mature commercial behaviours, understand what drives suppliers behaviour and know how to assess profit vs. excess profit.**

Be open and receptive to ideas, explore and use suitable commercial structures (such as alliances), but remain competent and strong in protecting the Councils commercial position and value for money. Use open book and audit provisions with confidence.