

Effective Contract Management

This document gives a high-level overview of the contract pre-award stage through to the end of contract cycle.

Version	Author	Date	Changes	Approved by	Next Review
V1.0	Sev Zacharia	March 2022	New Document	Michael Sprosson & Claire Reilly	March 2023

What is Contract Management?

A process to maximise value throughout the contract terms and to minimise risks. To ensure that the terms of the contract are effectively delivered.

Why is Contract Management important?

- Organisations are becoming more reliant on 3rd party organisations to provide goods and services on their behalf.
- Use of 3rd parties represent significant risk
- Without effective contract management you're relying on good fortune that things go well!

Needs identified – achieve maximum value

Once the organisation has identified a “need”, thought needs to be given to the outcomes required, terms that need to be included, mechanisms to put in place to monitor the contract. It's at this point where the maximum value of the contract can be defined at this initial juncture.

A contract cycle can be broadly be broken down in 4 distinct broad areas

The need to maximise the value from a contract is imperative. Apart from financial and contractual gain, consideration needs to be given to areas such as Social Value – Equalities and Diversity and the Green agenda, working to reduce the Authorities Carbon footprint.

1/ Pre-Award - Planning, engaging with stakeholders, establishing the contractual documentation, i.e. Output Specifications, KPIs/PIs/SLAs. Strong Relationship management skills will also be required during this stage. The approach to be taken will depend on the nature, value and importance of the contract regarding risk, reputational damage etc. As a light touch just checking for professional indemnity insurance might be enough in one contract. The other extreme will be to have a full contract management process where monthly performance packs are produced by the supplier and monthly contract meetings take place monitoring the performance of such a contract. There may also be a requirement for officers to then take quarterly reports to the appropriate Boards and Councillors.

2/ Award – This is the stage where the terms of the contract become legally binding. At this point the mechanisms agreed at the pre-award stage can be activated. Consideration also needs to be given to risk management and how identified risks will be documented, managed and reported.

3/ Monitoring – Some contracts will need a “light touch”, others will need more proactive management. There will be a need to have regular contract management meetings, deal with contract variations in the life of the contract and correctly documenting these. Dealing with conflict and finding solutions or serving remedial notices. Regular stakeholder engagement may be necessary as well as maintaining a strong supplier relationship.

Maintaining all documentation and keeping it up to date is of paramount importance, especially in the event of a dispute or having to go back in time to check what had been previously commercially agreed in past meetings.

4/ End of Contract Life Cycle – All contracts will come to an end at some point (On due date or by termination). This needs to have been planned and will require engagement with stakeholders. Consideration will also need to be given if the contract allowed for an extension and the nature of any extension clauses within the original contract.

At this point decisions need to be made to decide if the contract is still required, is the original specification with any embedded alterations still relevant. Enough time must be allowed to go through the procurement cycle and establish the market appetite for a contract and see if there are any new entrants to the market.

Even after a contract has ended there could be ongoing responsibilities and liabilities of the previous supplier and thereby continuous management may be required until such time all liabilities and responsibilities have ended.

Key skills for effective contract management:

Technical Skills: -

- Understand contract terms and conditions
- Understanding of risk management
- Financial analysis interpretation
- Understand the fundamental principles of contract law
- Creating a performance framework for suppliers

Soft Skills: -

- Negotiation tactics and planning
- Influencing and persuasion
- Handling conflict situations and dispute resolution
- Managing stakeholders
- Relationship management