Contract Management Briefing Note and Module Guide

Procurement & Commercial Services

Updated Nov 2022

Foreword by Councillor Debra Coupar

Good contract management can provide many benefits, including:

- the delivery of desired outputs including the provision of quality services to the Council and community.
- the development of specifications which encourage innovation and industry best practice.
- the identification and realisation of financial savings or avoidance of unnecessary cost; and
- the prompt resolution of issues that may arise.

On the other hand, research by the International Association for Contract and Commercial Management shows that poor contract management can cost as much as 9% p.a.

In short - without appropriate contract management the Council may not be getting what is being paid for from its c£1bn of external spend each year, and opportunities to realise greater efficiencies/outputs are being missed.

While there are examples of excellent contract management across the Council, the recent LGA Peer Review of procurement in the Council identified that there isn't a consistent, best practice approach to contract management adopted Council-wide and recommended that we should:

"Ensure there is a Leeds-wide approach to contract management and commercial, leveraging the good skills which exist in areas like the PFI team."

In response, we are in the process of developing such a Council-wide best practice approach to contract management as outlined in this guidance. While we understand that this won't be developed and embedded overnight, there are things that directorates and services should be doing immediately to improve contract management, in particular:

- Using the YORTender3 Contract Management Module for all new procurements. Contract management and procurement work hand in hand throughout the lifecycle of a contract. The YORTender3 Contract Management Module:
  - ensures that there is consideration of future contract management arrangements during the procurement of a contract to ensure that the Council's requirements are clear and deliverable.
  - facilitates appropriate contract management following contract award to ensure adherence to these requirements and delivery of the expected outputs.
  - encourages regular review to ensure contracts are continuing to respond to the Council's changing requirements and inform the requirements of a future procurement.

- Reviewing contract management in your directorate. Identify any resource/training needs, and ensure you understand the contracts in your area.
- Reviewing individual contracts. Firstly, the Council's needs change over time, so we need to be mindful of this and continually review contracts to ensure that they respond to those changing needs. In addition, are we doing the basics of contract management – is there a contract management plan, are we checking invoices, are we applying the contract when we need to, are we regularly liaising with contractors and other stakeholders?

With c£1bn of external spend each year, we can't emphasise enough the need for good contract management.

Introduction

This is interim guidance to support the development and embedding of a Council-wide best practice approach to Contract Management. It identifies what is being done to develop Contract Management best practice and identifies immediate opportunities to improve Contract Management.

This guidance will be updated and re-published as key actions are delivered.

The Council's Current Contract Management Position

The Contracts Procedure Rules provide that the relevant Director is responsible for ensuring that contracts in their area are being managed appropriately (both internally and externally). In addition, every contract ought to have a Contract Management Plan in place before award (but a single plan can cover more than one contract, and the contents of the plan should be scaled and proportionate to the value and risks of the contract).

A recent review indicates that there are over 300 Council employees whose jobs expressly include contract management. However, typically individuals responsible for managing the Council's contracts are subject matter/technical experts and, as highlighted in the LGA Peer Review, contract management is inconsistent across the Council. Whilst there are pockets of good contract management practice, it appears that there are many contracts where there is little or even no contract management. Reasons for this might include: a lack of understanding of the contract and what it requires, a shortage of resource, limited experience/training in contract management, uncertainty over who is responsible for managing the contract.

What is being done?

There are currently two main initiatives under development which relate to improving contract management across the Council in the medium term. These are:

Contract Management Systems

YORTender 3 CM Module

A Contract Management module is now available on YORTender3. The Contract Management module acts as a basic contract management plan and provides high-level contract management information. It is compulsory to complete and use for new contracts being awarded.

For all contracts other than High Value contracts (those valued over £100k), completion and use of the Contract Management module will act as a Contract Management Plan (i.e. no additional Contract Management Plan is necessary).

In terms of existing contracts, services are encouraged to use the Contract Management module for all their contracts at the earliest opportunity, however it is recognised that a prioritisation approach may be appropriate given resource implications (i.e. focus initially on high value/high complexity contracts).

Further information and guidance in respect of the YORTender3 Contract Management module is provided at Appendix 1 of this Guidance, and a package of training and support is available from PACS as to how to use the Contract Management module.

CM Systems for Complex Contracts

As part of the wider CBT programme, contract management systems to support delivery of more complex contracts will be assessed for suitability.

Contract Management Best Practice Objective

This initiative is currently under development within PACS, and its purpose is to review existing best practice in contract management across the Council and elsewhere (for example Local Government: Making savings from contract management), and look at how this can be proportionately applied across all the Council's contracts.

It includes:

- Updating the delegation of Executive Functions to the Director of Resources (and his sub-delegation to Head of PACS) to include: "Setting, supporting and monitoring the council's policies and procedures for: … c) procurement, purchasing, contract management and commercialisation…;"
- Developing and embedding:
  - a contract management skills framework (identifying the competencies needed to manage contracts of varying levels of complexity)

- o proportionate training.
- o best practice guidance/documents.
- Delivering additional corporate resource to support development of commercial skills and contract management in directorates.

Immediate Opportunities to Improve Contract Management

While a Council-wide best practice approach to contract management is still being developed, there are several things that directorates should do immediately by in relation to contract management.

Directorate Contract Management Review

Contract management training

There is free online Contract Management - Foundation training provided by the [Cabinet Office' Commercial Training College](#). It is broken down into six core modules, each of which takes around 90 minutes to complete, and is formatted in such a way that it can be stopped/started as required to fit around busy schedules. It is recommended that all staff involved in contract management undertake this course.

Further specialist training may be required officers involved in the management of complex contracts or specialist contracts (such as JCT or NEC construction forms). Please contact PACS for further information in this regard.

Identifying contract management resource

Directorates should identify their contract managers and contract management resources. Any resource issues, or training or support needs should be identified and reported to PACS.

Contract understanding

Anyone responsible for contract management should be familiar with the contracts they're involved with and how to apply them. In particular:

- the rates and charges,
- the specification requirements and any KPI's, and
- any rights to deduct/withhold monies from a Contractor or other remedies for underperformance.

Completion of the YORTender3 Contract Management module should ensure a comprehensive understanding of the particular contract, however if anything is unclear (either in understanding the contract terms or how to apply them) guidance ought to be sought from PACS.

Contract Reviews

As a priority, with a view to establishing further opportunities for savings and ensuring contracts are responding to the current requirements of the Council, review existing spend with suppliers and contracts including asking the questions below. It is recommended that this is undertaken on a prioritisation basis, starting with higher value/more complex contracts.

- Are there any applicable Directorate external spend savings targets?
- Does the actual cost reflect the anticipated contract price (identify over-spends/duplicate spend)?
- Is there a contract management plan, is it still fit for purpose (individual plans may be appropriate for more complex/higher value contracts, however note that a single plan may cover a number of contracts), and is it being used?
- Do you 'check and challenge' to avoid overpayments? (e.g. cross check that rates and charges are correct, ask suppliers to provide source records to verify charges (purchase invoices and/or timesheets), ensure contractual obligations and KPI's are being delivered, double check that invoices haven't previously submitted/already been paid)
- Are there opportunities for automation/self-service for ordering and purchasing under the contract?
- Is this a service or supply that can cease without any material adverse consequences?
- Can the scope of this service/specification be reduced or changed without any material adverse consequences (are we asking for more than we need or including "gold-plated" requirements)? Are all KPIs still relevant/necessary (too many KPI's may be an administrative burden and unnecessary cost); are they being monitored/applied in practice (if they are not being applied, the Council may be paying a costly premium)?
- Are there any levers over or benefits to the supplier that may be applied to facilitate a contract re-negotiation/price review (e.g. particularly in consideration of exercising an option to extend a contract term)?
- Are the contract remedies (including reducing payments) being applied in instances of underperformance?
- If there is no scope for savings, can additional value be negotiated for the same price (i.e. social value or improved/increased outputs)?
- Are we maintaining regular liaison and relationships with contractors and stakeholders?

APPENDIX 1 - YORTender 3 Contract Management Module Guidance

Training and Resources

Guidance materials for Contract Management can be found on the Managing a Contract Insite page and on SharePoint in the "Contract Management" sub folder within the folder for YORtender 3 Training Materials.

Using the module

This section will guide Contract Managers/Commissioners through each step of the Contract Management Module.

The module should be added to your tender record as soon as possible after it has been set up and should be completed before the contract has been awarded. The module will be accessible to you at any time over the life of the contract and should be kept up to date with any changes, including:

- If there has been a change to the Contract Management Plan
- After a Contract Management meeting or an annual review has been held
- When there is a dispute, or a penalty has been imposed
- When KPIs are reviewed
- If there is a contract variation

Supporting or new documentation may also be uploaded to the record at any time to the "Attach internal documents" section of the tender checklist.

For contracts under £100k, the module can be used in place of the Contract Management Plan template. For contracts over £100k, the module still needs to be completed but will not replace your contract management plan which should be uploaded to the system.

Setting up the Contract Management Module

Note that you must be set up as a user on YORtender and have been assigned to the tender to add or update the module. If you are set up as a user and cannot locate the tender, contact the owner (the individual who set up the record) and ask them to add you in the "Assign Team" section.

The module should be added to the record and completed before the contract has been awarded.

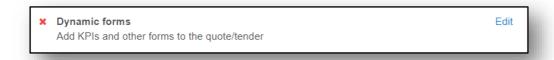To add the module:

Log into YORtender.

Click on the "My Quotes/Tenders" section of your homepage.

Scroll to the tender or search for it using the ID or reference or description fields.

When located, click on the tender title to go to the checklist.

The Contract Management Module should be set up using the "Dynamic Forms" step of the tender checklist.

Click on the "Edit" button and in the next screen click on "Add".

In the next screen fill out the three sections as follows:

- Reference: The tender reference number
- Description: The tender/contract title
- Select Form: From the drop-down selection, choose "Contract Management"

When the three sections are complete, click "Add".

This adds the Contract Management Module to your tender record. The module will be accessible at any time via the "KPIs and other forms" checklist step.

Click on the contract title to enter the module. This will take you to the individual steps that need to be filled out.

Forms in quote/tender						
☐	Form	Type of form	Version	Form Controller	Updated	Validated
☐	41589 - Building Materials Contract	Contract Management	7	Louis Price	08/06/2022 16:44	✗

[Add...] [Edit...] [Delete] [Done]

Not every step needs to be completed at the same time; individual fields can be updated as required but you **must** scroll to the foot of the page and click "Save" to save any entries.

Completing the contract management module steps

If there are fields you cannot complete immediately these can be left for the moment and updated when you have the required information. You **must** however scroll to the foot of the page and click "Save" to save the answers you have completed so far.

Once you have completed the module, click the "Set to valid" button. This will mark your module as complete for reporting purposes.
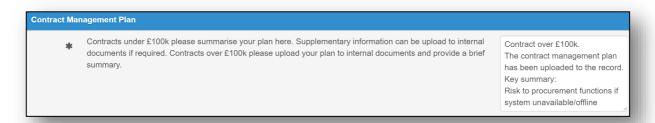
If you have not completed all the mandatory fields when attempting to validate the module you will receive an error message:

One or more validation errors found in form!
Please review marked sections.

Scroll down the module and the incomplete section/s will be highlighted. Complete the section/s, click the save button and then click "Set to valid" again.

You will still be able to return to the module and update fields as required.

1. Contract Management Plan

Contract Management Plan

* Contracts under £100k please summarise your plan here. Supplementary information can be upload to internal documents if required. Contracts over £100k please upload your plan to internal documents and provide a brief summary.

Contract over £100k.
The contract management plan has been uploaded to the record.
Key summary:
Risk to procurement functions if system unavailable/offline

CONTRACTS UNDER £100K

If your contract is under £100k in value, the contract management plan may be summarised in this field. Note that the text limit is 800 characters so if your plan cannot be summarised in this space upload supplementary details (e.g. as a Word document) to the "Attach internal documents" section of the checklist. If you have uploaded supplementary information state so in this field.

The summary should include

- Overview - what is the contract for?
- How performance will be monitored and measured
- Risk management – any key risks and who is responsible
- Expiry arrangements and exit plan (note that this may change over time and should be amended accordingly if so)
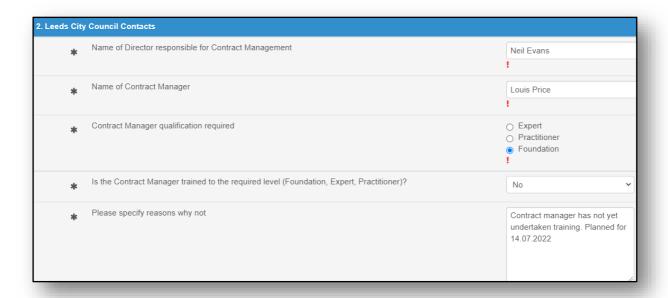
CONTRACTS OVER £100K

If your contract is over £100k in value, then your full contract management plan must be uploaded to the "attach internal documents" section of the contract checklist. The contract management plan template can be found here on Insite InSite - Forms and guidance (leeds.gov.uk).

State in the text field here that the form has been uploaded and summarise any key elements, which may include the following:

- Overview - what is the contract for?
- How performance will be monitored and measured
- Risk management – any key risks and who is responsible
- Expiry arrangements and exit plan (note that this may change over time and should be amended accordingly if so)

If the contract management plan alters during the life of the contract, this field should be updated to reflect any changes. Uploaded documents should be replaced with updated copies, for example if changes to the contract management plan have been made in relation to expiry arrangements/exit plan.

2. Leeds City Council Contacts and Contract Manager Training

Complete the "Name of Director responsible for Contract Management" and "Name of Contract Manager" fields with the name of the responsible Director and name of the contract manager. The name of the responsible Director will be the Director of the service the procurement falls under.

Contract manger qualification required: Please select the appropriate standard for your contract.

"Contract manger qualification required" refers to the Cabinet Office Contract Management Professional Standards. Details of the professional standards can be found here or in the accreditation brochure.

The Foundation training can be accessed by registering with the Government Commercial College. Information on how to enrol for the Practitioner or Expert programmes can be obtained from the Cabinet Office by contacting them at contract-management@cabinetoffice.gov.uk
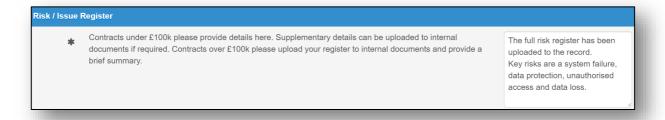
Briefly, the standards are:

- Foundation – for the management of small, straightforward, lower-value contracts. The council expects that everyone named as a contract manager will be trained to at least foundation level
- Practitioner – for the management of contracts you lead on, or provide support for, that are moderately complex.
- Expert – for the management of large-scale, complex contracts.

Is the Contract Manager trained to the required level (Foundation, Expert, Practitioner)? Select either "Yes" or "No" in the drop down box.

While you should make every effort to ensure you have the appropriate level of training to manage your contract please answer accurately. This will help Procurement and Commercial Services identify where there is a training need.

3. Risk / Issue Register

CONTRACTS UNDER £100K

For contracts under £100k summarise any key risks, planned mitigations and responsibilities in this field. Note that the text limit is 800 characters; if your plan cannot be summarised in this space upload supplementary details (e.g., as a Word document) to the "Attach internal documents" section of the checklist. If you have uploaded supplementary information state so in this field.

Your summary should include:

- Key risks
- Probability
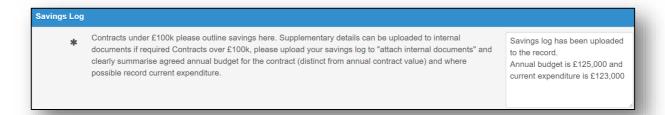- Impact
- Countermeasures
- Owner

CONTRACTS OVER £100K

If your contract is over £100k in value, then your full risk register must be uploaded to the "attach internal documents" section of the contract checklist. State in the text field here that the form has been uploaded and summarise any key elements, which may include the following:

Your summary should include:

- Key risks
- Probability
- Impact
- Countermeasures
- Owner

4. Savings Log

Savings Log		
*	Contracts under £100k please outline savings here. Supplementary details can be uploaded to internal documents if required Contracts over £100k, please upload your savings log to "attach internal documents" and clearly summarise agreed annual budget for the contract (distinct from annual contract value) and where possible record current expenditure.	Savings log has been uploaded to the record. Annual budget is £125,000 and current expenditure is £123,000

CONTRACTS UNDER £100K

For contracts under £100k summarise any anticipated or realised savings in this field. Note that the text limit is 800 characters so if savings cannot be summarised in this space, upload supplementary details (a spreadsheet, for example) to the "Attach internal documents" section of the checklist. If you have uploaded supplementary information state so in this field. If you don't believe any savings will be realised, state so in the text box.

CONTRACTS OVER £100K

If your contract is over £100k in value, then your savings log should be uploaded to the "Attach internal documents" section of the contract checklist. Briefly summarise key savings in the text box and state total projected savings. Realised savings can be updated in the text box later.

5. Social Value

Social Value		
*	If not recorded in the social value portal, please outline any social value commitments.	The supplier has committed to: Employ staff locally Using hybrid vehicles for stock delivery, reducing emissions

Summarise social value that the supplier has committed to delivering via either the Social Value Portal or as required under the specification in this text box.

Social Value commitments may include Employment and Skills, environment (including climate emergency and biodiversity loss), single use plastic and promoting local employment.

If no social value commitments have been made state this in the text box.

Update this box to confirm social value delivered during the contract term.

6. Supplier Financial Health-check

Use the drop-down box to state whether a financial health check has been undertaken for the contract's supplier(s). Note that a health check is mandatory for contracts over £100k and should also be undertaken annually as a minimum.
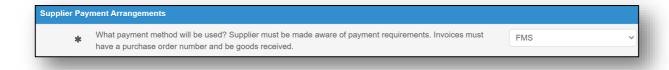
7. Supplier Communication

Provide full contact details for a minimum of one individual per supplier. Although supplier details are already recorded on the contract record via the supplier's YORtender account, these often are not for the same individual who will be responsible for contract or account management. These details can be used in the absence of the contract manager in case of emergency.

If the contract has many suppliers a separate document may be uploaded to the "Attach internal documents" section of the contract checklist. If you have done so state this in the text box.

8. Supplier Payment Arrangements

Use the drop-down box to select which method will be used to pay the supplier; P-Card, FMS or Other. When discussing payment with your supplier/s, please consider the most efficient means of payment for the council:

P-Cards: The Council's preferred method of payment. We receive a rebate for using them and costs are saved from not having to process invoices.

Invoices: It is important you discuss with your supplier how the Council will be invoiced. Invoices should be consolidated wherever possible to save on Council costs and staff resource. You should also discuss with your payment team / administrators how orders will be raised and ensure they're aware of current payment processes.

Information on new payment process can be found on Insite here: New automated invoice processing system (leeds.gov.uk)

9. Insurance / Risk

Use the drop-down box to select who is responsible for insurance or risk management. The options are Leeds City Council, Shared or Contractor. If this question is not relevant to your contract leave the default option selected, Leeds City Council.
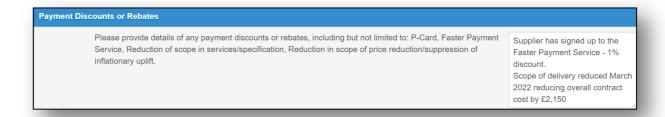
10. Safeguarding

Use this section to record any safeguarding considerations related to the contract. If there is not enough space to clearly summarise safeguarding consideration, upload additional documentation to the "Attach internal documents" section of the checklist and note this in the text box.

If there are no safeguarding considerations, then state this in the text box.
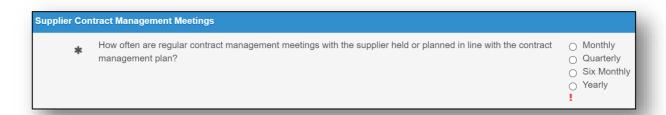
11. Payment Discounts or Rebates

This box should be used to record any payment discounts or rebates. This may include, but is not limited to, the following:

- Faster Payment Service (1% discount)
- P-Card Rebate (3% Discount)
- A reduction in the scope of services or goods
- A change in the specification which reduces cost
- Reduction or suppression of inflationary uplift

Note the value of any projected discounts or rebate in the text box if this is possible.
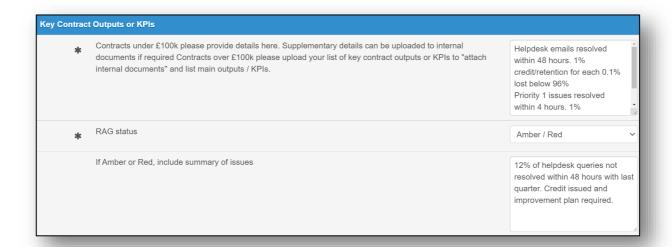
12. Supplier Contract Management Meetings

Select the appropriate option for how often meetings will be held with your supplier(s) under the contract management plan. If your frequency differs from the options please select the closest option, e.g.: if you hold bi-weekly meetings select "Monthly".

The agenda for your Contract Management meetings should include:

- Contract Performance
- Disputes
- Key Performance Indicators (KPIs)
- Contract Exit Plan
- Social Value that the supplier has committed to delivering
- Risks and risk management
- Savings opportunities or opportunities for added value/service improvement

A detailed list of suggested topics can be found in the Contract Management Plan Template in section 7, "Communication with provider".

13. Key Contract Outputs or KPIs and RAG Status

CONTRACTS UNDER £100K

For contracts under £100k please summarise any key contract outputs or KPIs in the first text box. If more space is required contract outputs or KPIs may be uploaded to the "Attach internal documents" section of the checklist.

If you have uploaded supplementary information state so in the text box.

CONTRACTS OVER £100K

For contracts over £100k please upload a list or document containing key contract outputs and/or KPIs to the "Attach internal documents" section of the checklist. State this in the text box with the document name.
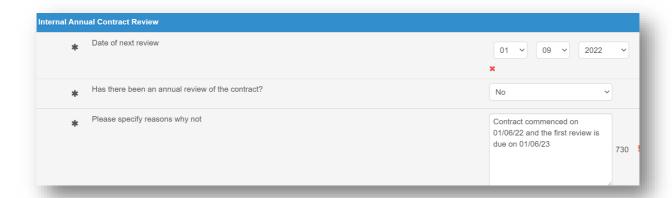
RAG STATUS

RAG stands for "Red, Amber, Green"

Use this drop-down box to select either "Green" or "Amber / Red". Green indicates that contract outputs or KPIs are being fully met or exceeded and Amber / Red indicates that there are either concerns with performance or failures on behalf of the supplier/s.

If Red / Amber is selected an additional text box will be activated asking you to provide a summary of issues. Summarise performance concerns or failures to meet outputs or KPIs. The "Attach internal documents" section of the checklist may be used to store additional documentation.

14. Internal Annual Contract Review

This is by reference to an annual internal LCC review of the contract that should be undertaken by the Contract Manager, supported by PACS, financial business partners and other relevant stakeholders.

Date of next review: Use the drop-down selections to set the date of the next annual internal LCC contract review. This field should be updated throughout the life of the contract with each review that takes place.

Has there been an annual internal LCC review of the contract: Use the drop-down box to select the appropriate entry? These are:
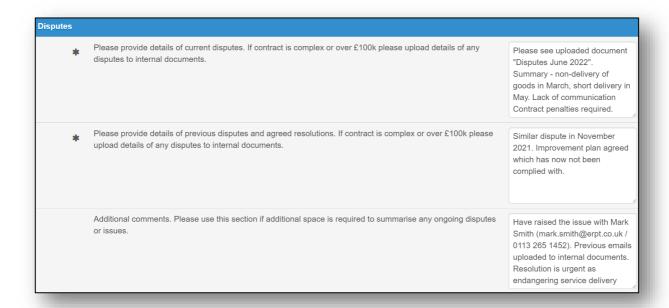
- Yes
- No
- Not required due to contract length (if your contract is less than a year in length)

Choosing "No" will activate an additional text box "Please specify reasons why not". Use this to state your reason for not having a review. This may be because the contract has just commenced, and you have not yet held your first review (as in the above example).

The agenda for your annual review should include:

- Contract Performance
- Disputes
- Key Performance Indicators (KPIs)
- Contract Exit Plan
- Social Value that the supplier has committed to delivering
- Risks and risk management
- Any changes to the Council requirements
- Any directorate savings requirements that this contract may count toward.

15. Disputes

Contract disputes can be recorded in this area.

- A summary of current or ongoing disputes can be recorded in the first text box.
- A summary of previous disputes or agreed resolutions can be recorded in the second text box.
- A third text box is available for any additional information.

The cost and complexity of your contract and frequency of disputes may mean there is not enough space in this area to record everything in detail. Further detail may be uploaded to the "Attach internal documents" section of the checklist if this is the case.

When summarising or uploading additional information the contract manager should consider what the key elements of the dispute are and what information is crucial should disputes need to be dealt with (or potentially recur in future) in their absence. The details recorded here, or uploaded, should provide enough background for the dispute to be dealt with in the contract manager's absence.

16. Contractual Penalties

Contractual Penalties	
* Please provide details of any payments withheld.	1% of quarterly maintenance fee withheld due to unplanned system downtime as per contract terms. Value is equal to £1,250. Supplier to amend invoice
* Please provide details of any other penalties.	No other penalties at present

The text box "Please provide details of any payments withheld" should be used to record details of any payments withheld as the result of any disputes or under-performance.

If there is insufficient space in this text box upload full details to the "Attach internal documents" section of the checklist and summarise the key points here.

Details of non-payment related penalties may be recorded in the "Please provide details of any other penalties" text box. Further detail can again be uploaded if required.
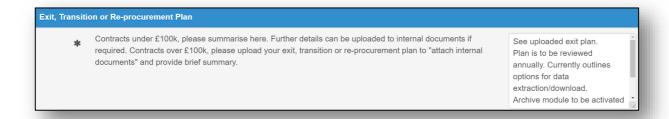
17. Contract Variations

Contract Variations	
Contracts under £100k, please provide full details. Contracts over £100k, please upload your variations to "attach internal documents" and provide brief summary.	See uploaded contract variation. Summary: change to contract period. Initial end date is now 31/03/2023

CONTRACTS UNDER £100K

For contracts under £100k, contract variations should be summarised here. The summary should note exactly what element(s) of the contract have changed.

CONTRACTS OVER £100K

For contracts over £100k, upload your contract variation to the "Attach internal documents" section of the checklist. Briefly summarise the key elements of the variation in the text box.
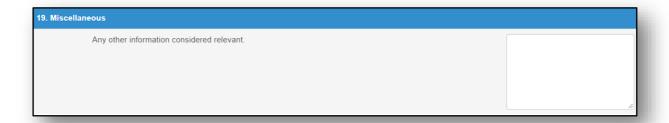
18. Exit, Transition or Re-procurement Plan

CONTRACTS UNDER £100K

For contracts under £100k, summarise any exit, transition or re-procurement plan here. If your contract is intended to be a one-off procurement state so in this field. Additional documentation can be uploaded to the "Attach internal documents" section if required.

CONTRACTS OVER £100K

For contracts over £100k upload your exit, transition or re-procurement plan to the "Attach internal documents" section of the checklist.

19. Miscellaneous

The miscellaneous field may be used for any additional information you would like to record in relation to contract management. This field is optional.