Contract Management Procedures

August 2016

Review date: April 2019
1. **Introduction**

In 2012, the Department of Finance and Personnel issued a Procedure Guidance Note (PGN 01/12) which sets out the principles for good contract management, identifying the role and key responsibilities of a ‘contract manager’ and those responsible for the day to day management of goods, works and services contracts. This guidance applies to contracts awarded via the BSO Procurement and Logistics Service (PaLS) and Service Level Agreement (SLAs) agreed and put in place by NIPEC.

In addition, in 2008 the National Audit Office has published a Good Practice Contract Management Framework as a guide for managing a broad range of contracts.

2. **Background**

NIPEC has a number of SLAs with approved suppliers and the Business Services Organisation (BSO) for specialised services, covering ICT, Human Resources, Internal Audit, Procurement, Finance, Equality and Disability, and Legal Services.

In addition a select list, maintained by the BSO PaLS, of contractors who have been through a tender and selection process and meet Department of Health guidance and public procurement policy, can also be called upon for the provision of goods and services to HSC organisations.

The day to day management of a Contract or SLA will be delegated to a member of NIPEC’s Senior or Business Team, who will be responsible for ensuring the agreed contract is met in full and that any issues or complaints are dealt with promptly and in accordance with the terms and conditions of the contract.

3. **Aim**

To establish sound and consistent management practices and outline how NIPEC will manage, monitor and review its contracts to ensure the successful delivery of services in accordance with NIPEC’s requirements and as agreed with the service provider.

4. **Objectives**

Contract management is necessary to ensure that:

- the objectives of the contract are delivered
- the goods/works/services provided comply fully with the requirements laid down in the contract specification and the terms and conditions of the contract
- the roles and responsibilities of those involved in the process are clearly defined and understood
- best value for money is achieved including any equality and sustainable development requirements included in the specification or conditions of the contract
- all anticipated benefits are fully realised
- accountability and effective control of budgets
- evidence of regular contract monitoring and audit trail of issues raised and resolved is provided
- continuous improvement realisation in terms of quality, cost, sustainability and service is brought about.
4. **Role of Contract Manager**

Those identified as the lead Contract Manager should refer to Procurement Guidance Note 01/12 – ‘Contract Management Procedures and Principles’ (PGN 01/12) and in particular Section 5.1 which covers the following essential aspects of contract management:

- **Contract management initiation meeting** - should be held at the commencement of the management process to ensure there is clear understanding of contract requirements and these are in accordance with the tender specification and clearly understood by the contractor. This is particularly important for service contracts, less so for contracts for goods unless there are very specific requirements or supply arrangements.

- **Managing /supervising delivery of the contract** - this will include routine monitoring of contract delivery against any key performance indicators contained in the contract and carried out in association with the contractor and where appropriate may include client audits. Contract managers need to ensure they understand the contract deliverables and have sufficient performance information from the contractor to assure the organisation they are being met.

- **Certification and payment** – confirming that goods/works/services have been completed/delivered to the required standards and within contracted timescales, checking invoices, times, rates, workload and paying for the goods/works/services within agreed timeframes. To ensure payment is made promptly and to the agreed terms, the Contract Manager should ensure quick and accurate receipting of goods or services received on the procurement system thereby enabling automatic payment of valid invoices received.

- **Meeting the specifications** – carrying out formal monitoring against agreed key performance indicators (KPIs) and/or performance targets to be achieved by the contractor and providing feedback to the contractor. If appropriate this should take the form of regular review meetings particularly for critical service contracts.

- **Record keeping** – keeping appropriate records for audit purposes is particularly important to ensure contractor performance is evidenced in the event of failures in performance or breach of contract.

- **Managing the Scope** - ensuring there are no significant changes to the scope of the contract that might result in the contract being declared null and void. It should be noted that procurement regulations do not permit material changes to a contract – any queries in this regard should be referred to PaLS for advice.

- **Managing permitted changes** - management of any extensions and price increases allowed under the Terms and Conditions of a contract should only be done in conjunction and in discussion with PaLS and their lead officer responsible for the contract;

- **Exiting the contract** – contract managers are advised to seek procurement or legal advice regarding any exit strategy and risk mitigation in the event of contractor failure/default or the natural close of the contract.
For any major contracts, contract managers should:

- establish a benefits realisation plan, if appropriate, to clearly detail what benefits the contractor has delivered

- in the event of any change controls, establish and manage a change control regime to ensure continued compliance with original scope in order to ensure no “new contract” is formed (further information is given within section 7 of the PGN 01/12). This might happen if significant changes are envisaged that fundamentally alter the contract.

The above main points are summarised as a Quick Guide in Appendix 1.
## Appendix 1
### Contract Management Quick Guide

| **Contract Initiation Meeting** | • Start point for contract operation  
|| • Ensure requirements are in line with tender specification |
| **Managing Delivery of the Contract** | • Routine monitoring of contract delivery  
|| • Ensure you know deliverables and can monitor them |
| **Payment** | • Check rates billed match the contract & don’t pay for anything you haven’t received - most fraud happens here!  
|| • Receipt promptly and remember your receipt generates payment |
| **Meeting the Specifications** | • Monitor performance against KPI targets and provide feedback to the contractor  
|| • Make sure you know what targets are and monitor against them |
| **Certification** | • Confirming the contract has been performed to the required standard  
|| • This is usually linked to payment so ensure you are satisfied that the contract has been properly executed |
| **Records Keeping** | • Keep accurate records as they may be required in the future  
|| • Remember your records may be scrutinised by a Court in the event of legal action or subject to an FOI request. |
| **Assessing Service Credits** | • Where part of a contract make sure you are familiar with the arrangements and record any credits due accurately. |
| **Managing the Scope** | • Ensure there are no significant changes to the scope of the contract  
|| • Significant changes not provided for in the contract may negate the contract under public procurement law |
| **Managing Permitted Changes** | • The contract may permit a range of changes eg extensions or price increases  
|| • Do not agree any such change without reference to BSO PaLS |
| **Exiting the Contract** | • In the event of contract failure manage the exit strategy and associated risk. Where the contract is coming to a natural end manage any agreed exit strategy  
|| • Seek procurement or legal advice on an exit strategy |