

CONTRACT MANAGEMENT FRAMEWORK

KEY PERFORMANCE INDICATORS

A great deal of effort in procurement goes into getting goods and services at the right price. However, experience tells us that it's also crucial to have the processes in place to measure the delivery of the contract.

For Sponsoring Managers / Key Stakeholders and Procurement Professionals, measuring supplier performance is key – especially for service-based procurements. It's crucial to have the ability to measure savings and ensure that the price being charged is transparent and measurable.

Key Performance indicators (KPIs) are financial and non-financial measures to help evaluate the progress of a project toward its goals. Usually the KPIs are identified and validated by stakeholders at the beginning of the procurement - during the planning stage. Put simply, KPIs are quantifiable measurements, agreed to beforehand, that reflect the critical success factors.

At an early stage consideration must be given to adopting the procurement approach that offers the Best Value for money for the Council. Consideration should be given to how Best Value can be measured once the Contract is in place.

Effective performance monitoring is part of the Contract management process and needs to be included in the Contract specification.

Securing successful contracts

In order to ensure contracts are exactly tailored for your needs (both current and future), it is vital to involve colleagues from right across the organisation, making maximum use of the expertise within your legal and finance teams. Perhaps one of the biggest challenges in signing a contract with a supplier is ensuring, as far as possible, that they will still be in business for the full length of your agreement. Future-proofing your supply chain in this way will require thorough analysis of a supplier's record of investment into its business, as well as the degree of development it has engaged in – you need to be sure it has the mechanisms in place to adapt to changing priorities.

Creating effective contract performance management criteria
Specificity in service level agreements (SLAs) is essential.

The creation of contract performance management criteria will ideally involve representatives from both procurement and technical departments.

Effective SLAs and key performance indicators (KPIs) should cover performance standards and processes that are defined and determined by the needs of your organisation.

They should cover all relevant issues, from quality to user satisfaction to price. Good KPIs typically follow the SMART model (specific; measurable; achievable; realistic; and time-based).

Effective SLAs and KPIs challenge suppliers to constantly improve their performance, with managers using them to forecast potential shortcomings or opportunities. You need to ensure that they are meeting your strategic goals and those of the people who will receive or benefit from the service, for example tenants of council-owned homes, the users of parks etc.

You need to be very clear on what value you expect to achieve from the project. Your stakeholders need to know this as does your customer/end user and all those involved in delivering the project.

You should consider:

- Reviewing client/end user outcomes
- Using existing KPI suites to allow practical benchmarking of performance
- Measuring economic, social and environmental performance
- Keeping things simple but SMART
- Review client/end user outcomes

As you move into the Design stage review client/end user outcomes. It may be that new delivery team members have been brought on board or potentially there may have been a wholesale change in personnel if new partners have been selected. New stakeholders may be involved or the importance and influence of certain stakeholders may have changed. Either way this is an ideal time to review desired outcomes and test previous approaches.

It may be helpful to do this in a team environment with the support of a facilitator.

Use existing KPI suites to benchmark performance

Ideally existing KPI suites should be adopted as this will allow benchmarks to be established from existing and historic projects. However, don't just set arbitrary benchmarks. Think about the essential and desired outcomes of the customer.

You should also ensure that you compare "like with like" so basic project information should be captured to make meaningful comparisons:

- Project Type e.g. Housing, Health, Education, Leisure, Civil Engineering, Retail, Private

Warwick District Council Contract Management Framework

- Project Location – Rural or Urban
- Type of Construction e.g. Brick/Block, Steel Frame, Off Site Manufacture (OSM), Timber
- Location Type – Greenfield, Brownfield
- Scheme Type (mainly applicable to Housing Projects)
- Procurement Type e.g. Collaborative Working, Design & Build, Off the Shelf, PFI, Section 106, Traditional Contract Type e.g. JCT 98, JCT IFC, JCT Constructing Excellence, JCT MW, ICE Conditions of Contract, ICE Minor Works, ACA, NEC, other.

As far as end of project measures are concerned the following list provides typical examples:

- Client Satisfaction
- Contractor Satisfaction
- Predictability of Cost
- Predictability of Time
- Quality
- Productivity
- Profitability
- Safety
- Construction Cost
- Construction Time

KPI's need to be SMART:

S – Specific

M – Measurable

A – Achievable

R – Realistic

T – Time based