Victorian Government Purchasing Board

Contract management plan template – long form

(Appendix 3)

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Contract management plan template – long form

[Insert supplier name and vendor number]

[Description of service/s and associated contract numbers e.g. supply of office furniture – CN0001]

This page to be deleted on completion of contract management plan template – long form (CMP‑LF)

**How to use this CMP‑LF**

This CMP‑LF document is a template that you can amend to suit your organisation. You input your contract related data and add or remove sections as required.

Wherever you are required to add information, the template uses the following format:

‘[text]’

If you have no data to input, simply delete the red text as illustrated below.

The scope of the services to be performed in this contract can be outlined as follows:

* + - provision of [XXXXX goods/services];
    - management of [XXXXX personnel/equipment/logistics/supply chain];
    - maintain and manage [XXXXX reporting/measurements/account management/risk];
    - deployment of [XXXXX technology/innovation];

If the contract does not require anything to be developed. For instance the line ‘Deployment of [technology/innovation] can be deleted from the CMP‑LF

When you add data, change the red text to black.

Blue text indicates advice about what to include in a section. Delete all blue text when completing the contract management plan.

# Introduction

The CMP‑LF provides a tool for defining contract management processes used by [insert organisation name] and [insert supplier name] for the provision of [insert the services/goods]. This document encompasses all contractual relationships with the supplier, details of which are shown under section 2.

The main objectives of this document are to provide:

* a definition of supplier and organisation responsibilities as defined in contract number (s) [insert contract reference(s)];
* a point of reference for the current management of the goods/services, governance process, KPI measurement, reporting tools and risk assessment; and
* a clear and current definition of the services and service levels provided by the supplier.

**Document owner**: This document is owned by the contract manager who is responsible for ensuring that it is maintained.

**Document review**: The contract manager reviews the CMP‑LF with key stakeholders on a regular basis to ensure that it continues to reflect the services required and provided. Where changes to existing goods, services or processes are identified and subsequently approved, the CMP‑LF will be amended to ensure its currency.

The main drivers for changes will come from variation requests from stakeholders, the supplier, sourcing and associated KPI updates. The processes for managing these different types of variations are described in section 11.

**Document changes**: Changes to the CMP‑LF are made by the contract manager and recorded in the contract variation area in section 11. The CMP long form should be modified to reflect particular contract arrangements and may include such matters as incentive arrangements, warranties management, release mechanisms and communication arrangements.

**Document use**: This CMP‑LF does not replace the contract(s). It serves as an appendix to the contract(s) or a standalone document referenced in the contract. The CMP‑LF is the primary reference document in the routine management of goods/services provided by the supplier to the organisation. This reflects the organisation’s desire to build meaningful relationships with the supplier and to ensure the contract(s) provide the value envisaged by both parties at the start of the contractual relationship.

# Scope of goods/service

The organisation has contracted the supplier to provide:

[List contracts and associated goods/services provided by each contract]

This/these contracts are effective from:

Table 1: Contract details

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Contract title | Contract number | Start  date | End  date | Review  date |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

Contracts are entered into table 1. There may be one contract or multiple contracts for one supplier controlled by this CMP‑LF. Contracts do not all have to be added at the same time—one contract with a supplier could be underway when a new contract is signed with the same supplier to supply a different good or service. This contract can be added to the existing CMP‑LF and added to table 1, where the same conditions of the CMP‑LF exist, i.e. KPIs and service level.

Note that whenever the CMP‑LF is changed/updated this must be recorded in the contract variation section (section 11) of this CMP‑LF no matter how small a change.

The scope of services to be performed in this contract can be outlined as follows:

Insert details that describe the scope of services to be performed by the contract. Text can be deleted where not applicable.

* provision of [XXXXX goods/services];
* management of [XXXXX personnel/equipment/logistics/supply chain];
* maintain and manage [XXXXX reporting/measurements/account management/risk];
* deployment of [XXXXX technology/innovation];
* process [XXXXX payments/bill of material/help desk/3PL];
* control quality of production and finished goods/services;
* rationalise and continuously improve processes, make recommendations for improvements, suggest re‑specification, etc, to ensure the organisation receives best fit services for its money, and that best meet the organisation’s requirements;
* provide subject matter expertise in the scope of services covered by this/these contracts;
* identify and alert the organisation of changes to demand expectations and any other influences that materially change the expected service requirements;
* manage and maintain any third party relationships required to ensure the delivery of the required goods/services; and
* maintain and provide accurate billing.

The CMP‑LF helps manage the relationship between the organisation and the supplier. KPIs have been agreed for the supplier to meet in providing the [goods/services] (section 7).

# Pricing model

This section details the pricing structure of the contract—it may include the price for goods and services, the price cap of the contract(if any) and price review periods.

* [base fee]
* [fee for service]
* [volume price points]
* [gain/pain share arrangements]
* [appendix catalogue unit prices]
* [detail any derivatives – e.g. foreign exchange/exposure to volatile pricing etc]
* [detail process for pricing review e.g. annual, index linked etc]
* [service debits / service credits]
* [total cost of ownership]
* [price drivers]

## Payment terms

Payment terms are:

[insert payment terms]

## Insurances

All insurances, bank guarantees and liability provisions in the contract are listed below:

[Include details of insurances, bank guarantees and liability provisions in contract.]

[insurance type]

[insurance company and policy number]

[limit of liability.]

[expiry date and review dates]

[record management location of insurance paper – including custodian of documentation]

The insurance review process is conducted during management meetings. Details on management meetings are included in section 5.

NB. A financial benefits checklist is available in appendix 4.

## Supplier Code of Conduct

A commitment letter has been received from the Supplier confirming they acknowledge and aspire to meet the minimum standards of ethical behaviour, as set out in the Victorian State Government’s [Supplier Code of Conduct.](http://www.procurement.vic.gov.au/Suppliers/Supplier-Code-of-Conduct)

# Relationship structure

The contact information of responsible persons associated with this contract is listed below.

Insert details into table

Table 2: Key contact information

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Victorian Government | | | | |
| Name | Title | Address | Phone | Email |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| [insert supplier name] | | | | |
| Name | Title | Address | Phone | Email |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

NB. The RACI associated with the contract is contained in the RACI template (appendix 5)

# Meetings

This section contains a summary of the purpose, attendees (as per the list in table 2), frequency and format of various contract meetings. The meetings proposed below are a guide to the types of meetings that you might arrange to manage the contract. Adjust the table as needed.

Table 3: Meeting schedule

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Meeting | Purpose | Supplier attendees | Organisation attendees | Frequency | Meeting elements |
| Executive meeting | To discuss information to support decision‑making at the executive level | [Insert names and titles]  Typically supplier executive and supplier account manager attends | [Insert names and titles]  Typically the chief procurement officer, the head of the organisational area that ‘owns’ the contract and the contract manager attends | [Insert meeting frequency]  Typically six‑monthly, annual or as required | * Supplier and contract information for segments strategic, high risk and critical to business contracts; * Key financials; * Key performance data; * Escalated issues; and * High (and extreme) risks |
| Mgmt. meeting | To discuss information to support management level decisions | [Insert names and titles]  Typically supplier account manager attends | [Insert names and titles]  Typically contract manager and senior organisation natural owner attends | [Insert meeting frequency]  Typically monthly, quarterly or six‑monthly or as required | * Review performance against KPIs * Review operational issues and establish action plan * Review insurances to ensure currency * Agree any process/policy changes * Identify events that may impact service * Identify if any penalties or bonuses apply |
| Operations meeting | To review current operational status of contract and determine whether improvements required | [Insert names and titles]  Typically daily supplier contact attends | [Insert names and titles]  Typically contract manager, natural owner and contract users attend | [Insert meeting frequency]  Typically weekly or monthly or as required | * Review status * Review KPIs * Identify/review issues and areas for management attention * Review change requests and manage change control process |
|  |  |  |  |  |  |

# Transition management

The contract manager is responsible for the smooth transition in of the new supplier(s) and transition out of the existing supplier(s). The level of detail regarding transition in and out is dependent on the procurement activity. Where the supplier has developed a transition plan as part of the tender process, incorporate the document here.

Where a transition plan needs to be developed, incorporate details specific to managing transition here. The contract management checklist (appendix 4)includes a transition in and transition out checklist.

# Key performance indicators (KPIs)

## Objectives

The objectives of formulating KPIs are to:

* document and manage the key measures of performance for the operational services to enable the supplier to focus on the operational deliverables that are important to the organisation;
* set goals for performance for both parties which reflect the need to deliver the agreed KPIs and the interdependencies between the parties in meeting KPIs; and
* provide a mechanism for calculating service debits/credits or liability share arrangements for suboptimal performance against KPIs or for awarding bonuses that may be payable for excellence.

## Contract KPIs

The KPIs specified in the [service/goods] contract are listed on the following pages [insert KPIs from supplier scorecard template on the following pages]. Each table contains:

Table 4: KPIs

|  |  |
| --- | --- |
| Area | Area the KPI falls into i.e. cost, service, quality, etc. |
| KPI name | Name of KPI being measured |
| Performance target | Description of what KPI is measuring |
| Measurement calculation | How to measure KPI |
| Purpose | Description of why KPI is being measured |
| Acceptable score | The minimum acceptable score that the organisation will accept from the supplier. This should be discussed and agreed with the supplier. Where an acceptable score is unknown, measure the agreed KPI for a minimum of three months then use the scores achieved by the supplier as a basis to agree an acceptable score. |
| Score this month | The score the supplier has achieved in the month being measured |
| Variance from acceptable score | Difference between the ‘acceptable score’ and the ‘score this month’ |
| Historical tracking | Historical tracking of each KPI to enable KPI trends to be viewed each month (i.e. is the suppliers performance improving or getting worse?) |

## KPI reporting

KPI reports are created and adapted to reflect meeting schedule requirements and ad‑hoc reporting requirements. Reports can be compiled using the supplier scorecard and minutes from meetings. The report should track specific service failures with actions discussed in the supplier meeting and minuted for action or monitoring in subsequent supplier meetings.

These provide a formal record of actual performance levels provided to the organisation over the previous period for all KPIs. The reporting includes the KPIs and the following information:

* areas of service issues or failures and immediate actions taken to minimise the impact to customers in the event of a service failure;
* areas where issues have been resolved;
* planned actions to prevent further occurrences of similar problems—both from the supplier and the organisation;
* additional actions discussed;
* value‑added services provided;
* continuous improvement activities undertaken by the supplier; and
* other information about significant events affecting the supplier.

The contract manager reviews the reports and escalates internally where necessary.

## Customer satisfaction

Internal customer satisfaction is measured and used as part of the reporting process when reviewing supplier performance. A supplier customer satisfaction survey is available in appendix 7

# Savings/benefits tracking

Benefits tracking (price monitoring and compilation of other quantitative and qualitative data) takes place each quarter. The contract manager develops and manages the benefits/savings tracking framework, and will:

* specify which benefits tracking method will be used; and
* communicate the contract baseline for price and non‑price benefits and how incremental changes will be measured, for example:
  + how savings against the contract pricing baseline will be calculated;
  + how incremental changes against the contract non‑price baseline of benefits will be calculated;
  + how often benefits will be measured (usually quarterly); and
  + how data will be verified and analysis conducted.

# Escalation process

The purpose of the escalation process is to achieve an overview of:

* the escalation process;
* those involved and their tasks; and
* responsibilities and deadlines.

Log all problems and queries regarding the goods or services provided by the supplier in the supplier scorecard issues log (appendix 8). The contract manager owns the issues log. Issues could come from the organisation, third party providers, supplier personnel or through the reporting process.

Each issue is logged in the issues log with a responsible party assigned to manage the issue. If issues are not resolved in the required timeframe they are escalated to the supplier account manager and contract manager via the management and executive meetings to oversee/escalate as per the escalation process flow in Figure 1 below.

Issues are escalated based on the priority given to the issue in the issues log and relate to the level of escalation required for the issue as illustrated in Figure 1.

Figure 1: Escalation process flow



As the issue priority escalates it is escalated to a different management level to resolve. Note: an issue can be immediately classed as ‘critical’ and raised to the executive meeting if required. Once issues are resolved their resolution is logged in the issues log.

## Process responsibilities

The organisation’s contract manager and the supplier account manager sponsor the process.

## Escalation process flow

The following defines the escalation process flow: [update as per agreed escalation process in the contract]

* If task owners cannot resolve an issue within [x] days, the issue is escalated to the operations meeting group. The issue is set out in the minutes and included on the agenda of the operations meeting;
* If members of the operations meeting cannot resolve an issue after referral, the issue is escalated within five days to the management meeting group. The issue is set out in the minutes and included in the agenda of the management meeting;
* If members of the management meeting cannot resolve an issue after referral, the issue is escalated within three days to the executive meeting group. The issue is set out in the minutes and included in the agenda of the executive meeting; and
* The executive meeting group has final responsibility to resolve any matters escalated to it. The executive meeting group is called together on a [six monthly/annual] basis or as required to resolve service issues.

Note: Validate escalation process with actual contract where this exists.

# Risk management

This relationship is subject to a risk assessment and supplier segmentation during the sourcing process. The supplier segment is [insert segment data]. As such the supplier is regarded as [close to core/high risk/strategic].

A risk assessment was completed during contract segmentation. A copy of the risk assessment is included in appendix [insert appendix number] [attach a copy of the completed risk segmentation tool].

The contract manager is responsible for reviewing the risk assessment, in particular to assess any changes to the supplier’s financial health, disaster recovery plans, or other risk categories identified as moderate to high in impact or likelihood. This review takes place at least once a year, and preferably more frequently for key and critical suppliers.

# Contract variation

Use the contract variation process to assess all contract variations. This process ensures all proposed variations are subject to hierarchical consideration, particularly around key elements of:

* historical performance;
* business needs;
* technical specification; and
* commercial impact.

It also includes the requirement to review:

* pricing;
* associated KPIs;
* risk; and
* organisational financial and procurement delegations.

Policy must be followed with regard to any variation involving a change of risk, term or contract value—particularly with regard to delegated authorities and authorisation.

## Contract variation process

[insert the agreed variation process with the supplier here]

## Contract variations agreed/in progress

The following table lists all the agreed / in progress contract variations

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Contract number | Variation description | Date raised | Status | Date agreed/ rejected | Additional comments |
| [Insert contract number] | [Describe the variation to the contract. This may be a minor change to the contract or (CMP‑LT)] | [Insert the date the variation was raised] | [Insert the status of the variation, i.e. in progress, agreed, rejected] | [Insert the date the variation was agreed or rejected] | [Insert additional comments here] |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

The contract manager and sourcing manager review the CMP‑LF on a regular basis to ensure that it continues to reflect services provided. Where changes to existing services or processes are identified and subsequently approved, the guide will be amended. The contract manager will ensure this document is maintained and published as directed and version control is up to date.

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