



MOD Private Finance Unit Guidance Note

Contract Management of PFI / PPP Projects

Version 3.0

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MOD PFU Contacts

This document can be found on the MOD PFU website at :

<http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/FinanceandProcurement/PFU/PrivateFinanceUnit.htm>

For general enquiries about MOD PFU and its work, contact:

MOD Private Finance Unit Front Desk
Spruce 1, #1103,
MOD Abbey Wood,
Bristol BS34 8JH

Tel: 0117 9132639 (9352 32639)

Email: MODPFU-Front Desk@mod.uk

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1.0a	Original DPA PFG Publication	O Ellis	199
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3.0a	Re-issue to reflect latest guidance from PUK Operational Task Force, Office of Government Commerce and 4Ps	S Browne	September 2009
3.0b	Amendments to reflect Hd PFU comments and incorporate a Contract Management Process Mapping & Organisation Design Guide	S Browne	October 2009
3.0c	Amendment to reflect MOD PFU, Commercial Systems comments and to refer to TLMP and PMP elements	S Browne	December 2009
3.0	Final update; amendments made to the Contract Management Plan Template to reflect the fact that the plan is intended to be superseded by the Operational Contract Management Manual.	S. Browne	June 2010

CONTENTS LIST

Introduction	5
Authoritative Guidance	5
Use of the Templates.....	7
Contract Management Plan Template	8
Operational Contract Management Manual Template	8
Supplementary Guidance	9
Defined Terms.....	Error! Bookmark not defined.
Further Reading.....	12

Contract Management of PFI Projects

Background

1. The National Audit Office¹ has estimated that better contract management could generate savings of between £160 million and £290 million a year across the organisations surveyed through reduced contract expenditure. As well as financial savings, better contract management could bring improvements in the quantity and/or quality of services, the avoidance of service failure, and better management of risk.
2. Whilst the Contract Management focuses on the management of the contract once signed, the success of contract management activities are strongly determined by the plans and activities during tendering/contract award phase, in terms of both 'hard' outputs, such as the contract specification and contract terms and conditions, and, the type of relationship between customer and supplier. In this way, the tendering/contract award phase and the contract management phase should be seen as a continuum rather than distinct phases, with the success of contract management planned for from the start of the procurement process.

Purpose

3. The purpose of this guidance note is to:
 - provide references to central government policy on the management of contracts and to authoritative guidance published by central and local government; and
 - provide acquisition teams with example templates for a **Contract Management Plan** (at Annex A) and an **Operational Contract Management Manual** (at Annex B) to assist teams in compliance with policy, authoritative guidance and achieve best practice.

Authoritative Guidance

4. Prior to the signature of the contract all acquisition projects shall have a plan (the "**Contract Management Plan**" or "**CMP**") that sets out the plan for the management of the contract, for use by

¹ Central government's management of service contracts, December 2008 (HC 65, Session 2008-09)

commercial and project management staff, senior managers and those involved in the assurance and approval of the project.

5. Following the signature of the contract, or very soon afterwards, the contract management team should have a suite of documents (the **“Operational Contract Management Manual”** or **“OCMM”**) for use by the Contract Management Team that sets out the instructions, policies, information, and guidance that govern the day-to-day management of the contract.
6. The CMP should describe and define, with increasing levels of detail and maturity through each stage in the acquisition:
 - the organisation structure of stakeholders, their responsibilities for the management of the contract, their governance arrangements and the resources necessary to effectively manage the contract;
 - the risks, opportunities and benefits that contract management activities and resources are intended to manage;
 - the method of managing the delivery of the contractual outputs, monitoring the contractor’s performance and compliance with the requirements of the contract and its terms;
 - the approach to partnering with the contractor and how it will be measured and managed; and
 - how the plans for the management of the contract will be developed and implemented.
7. The OCMM (which should be based on the CMP at Main Gate Approval) should additionally set out:
 - A summary of the key principles and output of the operation of the Contract;
 - the organisation structure of the Contract Management Team and the structure and means of liaison and communication between the MOD and the Contractor
 - the instructions, policies, guidance for the day-to-day management of the contract by the Contract Management Team;
 - the key dates and/trigger events contained in the Contract (e.g. for delivery, acceptance, the review of documentation, the service of notices e.t.c.);
 - the processes defined in the Contract (e.g. invoicing) and collaborative working practices with the Contractor with process maps and diagrams;

- the details of the methods and processes for the administration of the contract (e.g. for the processing of invoices, orders, requests for modifications/changes to services, amendments to the Contract e.t.c.)
8. The following local and Central Government publications provide authoritative guidance on Contract Management:

["Good Practice Contract Management Framework", Office of Government Commerce, December 2008](#)

["Operational Task Force Note 2: Project Transition Guidance", HM Treasury, March 2007](#)

["A Guide to Contract Management for PFI and PPP Projects", Public Private Partnerships Programme, 2007](#)

Use of the Templates

9. The CMP and OCMM templates should be used and drafted in conjunction with the authoritative guidance documents. The templates are not intended to be prescriptive, but rather as an aid to achieving best practice and should be adapted to suit the circumstances of the project.
10. Each paragraph or section heading of the templates includes a description of the scope and coverage of the paragraph, along with notes that are intended to prompt and assist the author. The defined terms and terminology used in the templates is at [paragraph 14](#).
11. The CMP and OCMM should be consistent with Through-Life Capability Management Plans (TLCM), Programme Management Plans (Prog MP) and Through-Life Project Management Plans (Proj MP). These Capability, Programme and Project plans, while wider in scope than the CMP and OCMM, can be used as a source (by-cross reference, extract or summary). Care must, however, be taken to ensure that the CMP and OCMM focusses on the management of the contract and how it contributes to the delivery of Capability, the Programme and the Project. Further details of the scope and content of:
- Through-Life Capability Management Planning can be found at: <http://www.aof.mod.uk/aofcontent/tactical/tlcm/content/introductiontotlcm.htm>
 - Programme Management Plan Elements can be found at: <http://www.aof.mod.uk/aofcontent/tactical/tlcm/content/capabilitydelivery/progmanagementplan.htm>

- Through-Life Project Management Plan can be found at: http://www.aof.mod.uk/aofcontent/tactical/tlm/content/tlm_timp_framework.htm

Contract Management Plan Template

12. The Contract Management Plan template (at Annex A) is intended to be developed and matured at each stage in the acquisition life-cycle, aligned with the stages of assurance and scrutiny. These stages are:
 - Stage 1 – Concept to Initial Gate;
 - Stage 2 – Assessment to Market Engagement;
 - Stage 3 – Market Engagement to Contract Award;
 - Stage 4 – Through-Life Management, Change & Exit.
13. The Contract Management Plan Template is prepared on the assumption that at the end of Stage 2 the Authority will issue an Invitation to Negotiate (or its equivalent).

Operational Contract Management Manual Template

14. The Operational Contract Management Manual template (at Annex B) is intended to be developed shortly before or soon after the signature of the Contract and is a working document that is updated to reflect actual working practices as well as any changes to the Contract.
15. Although the template is drafted as if it were a single document it will probably be necessary to break the document down into discreet parts, or sub-manuals to become a suite of handbooks and guides; with each part focussing on a particular topic or aspect of the management of the contract.
16. The Operational Contract Management Manual (or the suite of documents that make up the guide) may be shared, or prepared jointly with the Contractor; in which case:
 - the OCMM document(s) must clearly state that they are non-binding and that the Contract takes precedence in the event of any conflict or dispute with corresponding provisions in the Contract; and
 - the Contract itself should include provisions that clarify the contractual and legal status of the Contract vis-à-vis the shared or jointly prepared OCMM.

Supplementary Guidance

17. For new projects, the Contract Management Plan will often need to be developed alongside the development of the composition and structure of a new Contract Management Team. At Annex C is a suggested approach to the design of the Contract Management Team and its organisation structure. This approach borrows heavily from well established methods, most notably the use of Organisation Breakdown Structure and a Responsibility Assignment Matrix, the main difference being that:
- The roles and responsibilities of the Contract Management Team are largely defined by, and need to be aligned with, the terms of the Contract; and
 - The Contractor, rather than the MOD, is principally responsible for provision and delivery of products and/or outputs.
18. The design of the Contract Management Team, its roles and responsibilities and organisation structure should be developed at each stage of the acquisition life-cycle, increasing in detail as the approach to and method of contract management develops. In particular, it should be noted that:
- The design of the Contract Management Team for inclusion in Paragraph 3 of the CMP will, to a very large extent, be determined by the roles and responsibilities of the Authority defined in Paragraph 5 (Delivery, Performance and Compliance Measurement & Monitoring);
 - The roles and responsibilities of the Authority defined in Paragraph 5 (Delivery, Performance and Compliance Measurement & Monitoring) will need to carefully consider the actual or likely availability of Authority resources with appropriate skills, as well as the overall strategic purpose and approach to contract management.

Defined Terms

19. The CMP and OCMM templates use the following defined terms, in addition to those in general use in the MOD:

Compliance Demonstration

Compliance Demonstration is an approach to Delivery, Performance and Compliance Monitoring whereby:

- The Contractor is responsible for demonstrating to the MOD that the Contractor is compliant with its obligations, roles and responsibilities under the Contract.
- The Contractor is thereby obliged to devise a detailed Compliance Demonstration plan, carry out the Compliance Demonstration activities set out in the plan,

and providing MOD with the evidence of compliance and/or the extent of compliance;

- The MOD has the right to examine evidence and audit supporting data/information in order to verify the Contractor's compliance;
- The MOD does not 'accept' the outputs of the Contract but relies on the Contractor's demonstration of compliance against the Contract;
- The MOD relies on contractual remedies if the Contractor's Demonstration shows that its delivery, performance and compliance is inadequate.

Contract Management & Liaison Structure

The Contract Management & Liaison Structure is the organisation structure of liaison arrangements and meetings between the MOD and the Contractor from day-to-day liaison to the annual meetings.

Contract Management Requirements

Contract Management Requirements are the requirements and obligations set out in the Contract that enable the Authority to ascertain whether the Contractor is successfully delivering, performing or is otherwise compliant with the Contract and includes:

- management information;
- data (including incurred cost data);
- project management information and progress reports (including Earned Value Management reports, test results etc.); and
- certificates, licences, warranties and consents.

Contract Management Requirements should set out 'what' data, information, reports and evidence is required, their scope, content and format and delivery requirements.

Contract Management Team

The Contract Management Team is the MOD-side team with primary responsibility and authority for liaison with the Contractor and the management of the Contract.

Delivery, Performance and Compliance Measurement & Monitoring

Delivery, Performance and Compliance Measurement & Monitoring is the arrangements for monitoring the Contractor's delivery, performance and compliance against the Contract, and includes:

- the provision of progress reports and documentation to demonstrate:
 - progress towards the achievement of project milestones; and
 - the achievement of anchor milestones.
- acceptance and rejection procedures for the outputs of the Contract;
- the procedures for verifying whether the Contractor qualifies for payment;
- the testing, inspection and audit of the outputs of the

Contract and any associated data/information regarding the functional performance of the outputs;

- Key Performance Indicators, their measurement and the method of verification;
- the provision of evidence as to compliance with regulations and standards (including Quality, Health & Safety, Sustainability, Environmental Protection, Insurance, Intellectual Property);
- the provision of evidence by the Contractor to demonstrate their ongoing ability to meet the requirement.

Key Dates

Key Dates refers to all dates and timescales expressed in the Contract where:

- the MOD has to make a decision (e.g. in respect of payment or acceptance); or
- the MOD has to provide GFA;
- the Contractor has to deliver/provide an output (e.g. data/information, a report or other deliverable);

and includes the events that trigger any such dates or timescales (e.g. within 10 business days from delivery the MOD shall confirm acceptance or reject the Articles).

Key Decisions

Key Decisions refers to the decisions that MOD has to make in accordance with the terms of the Contract, or, decisions to exercise MOD's rights under the Contract, including:

- the acceptance/rejection of deliverables;
- granting the Contractor concessions/waivers from compliance with the Contract;
- applying remedies/Liquidated Damages;
- issuing notices of non-compliance or default;
- handling contractual and extra-contractual claims from the Contractor;
- raising or handling disputes under the contractual Dispute Resolution Procedure;
- issuing notices of Termination (inc. any warning notices);

Related Contracts

Related Contracts refers to any other MOD Contract and their performance or outputs:

- that affect the delivery, performance and compliance of the Contractor under the Contract (e.g. where the Contractor depends on Government Furnished Assets (GFA) supplied by other MOD Contracts); and/or
- that depend on the delivery, performance and compliance of the Contractor under the Contract (e.g. where the Contractor is responsible for goods and services that constitute GFA to another Contractor); and/or
- that, when taken together with the performance or

outputs of the Contractor under the Contract delivers a capability (e.g. the infrastructure outputs plus the equipments outputs delivers a defined military capability).

Further Reading

20. Further information and guidance can be found at:

["Treasury Taskforce Technical Note No.6 - How to Manage the Delivery of Long Term PFI Contracts"](#), HM Treasury.

["Central Government's Management of Service Contracts"](#), National Audit Office, December 2008

[Office of Government Commerce, Policy and Standards Framework - Contract Management](#)

["Contract Management Guidelines"](#), Office of Government Commerce, 2002

["Measuring Success Through Collaborative Relationships"](#), National Audit Office, November 2006

["Ministry of Defence: Using the contract to maximise the likelihood of successful project outcomes"](#), National Audit Office, 7 June 2006

Contract Management Plan

[Project Name]

Version [n.n]

Dated [dd/mmm/yyyy]

Author:

Authorised by:

This Contract Management Plan relates to Stage [1/2/3]

1. Introduction

The Contract Management Plan is a management and planning document for the management of the Contract once it is signed. The Contract Management Plan is not intended to provide instructions, guidance or to set out the processes to be followed in the management of the Contract.

Those responsible for the management of the Contract should refer to the Operational Contract Management Manual which can be found at [...].

2. Aim

Stage 1 – Concept to Initial Gate

At this stage the Contract Management Plan should demonstrate that there is realistic and achievable approach to the management of the contract and should enable the reader to understand:

- who will have ownership and responsibility for the management of the contract;
- whether the approach is, or is likely to be, sufficiently well resourced;
- how and to what extent the approach to the management of the contract will enable the delivery of the Key User Requirements;
- the extent to which the intended approach to the management of the contract will enable the effective management of Risks, Opportunities and Benefits;
- the Related Contracts that affect/are affected by the contract;
- whether the plan for the further development of the Contract Management Plan is realistic and achievable.

Stage 2 – Assessment to Market Engagement

At this stage the Contract Management Plan should demonstrate that there is a comprehensively defined method for the management of the contract and should enable the reader to understand:

- the approach to measuring and monitoring the Contractor's Delivery, Performance and Compliance;
- the composition and structure of the Contract Management Team and how they would intend to liaise with the Contractor;
- whether the Contract Management Team will have sufficient resources;
- how the management of the contract will enable the effective management of Risks, Opportunities and Benefits;
- how the contract will be managed and co-ordinated with Related Contracts;
- whether the method of management of the contract is fully reflected in the contract and tendering documentation (subject to bidders proposals);
- the criteria for the evaluation of bidders' proposals in respect of contract management;

- whether the plan for the further development of the Contract Management Plan is realistic and achievable.

Stage 3 – Market Engagement to Contract Award

At this stage the Contract Management Plan should demonstrate that:

- there is a comprehensively defined agreement between the MOD and the Contractor for the management of the contract.
- the MOD is ready to manage the contract once it is signed.

At this stage the Contract Management Plan should enable the reader to understand:

- how the Contractor's Delivery, Performance and Compliance will be measured and monitored;
- whether the management of the contract is fully reflected in the contract documents;
- whether the MOD and Contractor have defined roles and responsibilities for the management of the contract.
- how the management of the contract will enable the effective management of Risks, Opportunities and Benefits;
- how the contract will enable the effective co-ordination of activities along with those of the Related Contracts;
- the progress achieved in the establishment and training of the Contract Management Team;
- whether there is a Operational Contract Management Manual, or a plan to produce a Operational Contract Management Manual that is realistic and achievable.

3. Structure, Governance and Resources

Stage 1 – Concept to Initial Gate

Identify the organisations in the MOD that will have responsibility for the management of the Contract(s) and provide a organisation chart showing its hierarchy and how it aligns with Project Governance Structure;

For each MOD organisation identified, describe their roles and responsibilities. In particular show which organisation(s) will have a role in, or a responsibility for:

- Delivery, Performance and Compliance Measurement & Monitoring;
- liaising directly with the Contractor;
- making Key Decisions in relation to the Contract.

Outline the resources and budgets that will be required in each MOD organisation for the management of the Contract(s), including:

- subject matter experts requirements;
- external assistance requirements;
- whether the resources and/or budgets are included in existing provision or will need to be bid for.

Benchmark the resources and budgets planned for the management of the Contract(s) against existing arrangements and/or those in place for similar Contracts.

Identify the Related Contracts and explain how the Project Governance Structure will manage these inter-Contract interfaces.

NOTES:

- Consider whether the resources available for contract management are consistent with the approach to Delivery, Performance Measurement & Monitoring.
- Consider how customer and user stakeholders will be engaged in the development of Delivery, Performance and Compliance Measurement & Monitoring, and the Contract Management Requirements.

Stage 2 – Assessment to Market Engagement

Provide an update to the content from Stage 1

In addition:

- Define and align the roles and responsibilities of each MOD organisation with the activities defined in [Paragraph 5, Stage 2 \(Delivery, Performance and Compliance Measurement & Monitoring\)](#);
- Identify the human resources required in each MOD organisation, for each defined phase of the Contract, in Full-Time Equivalent posts and their grades;
- Define the skills/competence matrix for each MOD organisation, for each defined phase or stage of the Contract;
- Confirm whether the resources/budgets are available;
- Provide details of the intended Contract Management Liaison Structure including:
 - The hierarchy of liaison arrangements with the Contractor;
 - The role and function of each level in the hierarchy;
 - The level at which the Key Decisions will be taken;
 - The informal dispute escalation procedure, prior to any dispute entering formal mediation/arbitration.
- Identify how the Related Contracts interact and interface with this Contract. Explain how these interfaces with Related Contracts will be managed, including a description of any Contract Management Requirements that enable/support the management of these interfaces.

Stage 3 – Market Engagement to Contract Award

Provide an update to the content from Stage 2 that;

- confirms progress in the establishment and training of the Contract Management Team; and
- confirms progress in the preparation and drafting of the Operational Contract Management Manual;
- describes the activities and work that remains outstanding;

when compared with the plan prepared at Stage 2;

In addition, confirm that the Operational Contract Management Manual includes/will include

the management of the Related Contracts, in particular in respect of GFA.

Programme and Project Related Documents

Programme Management Plan Elements:

- PgMP Executive Summary
- Project Brief
- Organisation Structure
- Stakeholder Management Strategy
- Programme Communications Plan
- System-of-Systems Model
- Workforce Plan
- Resource Management Strategy
- Interface Management Strategy

TLMP:

Section 1: Mission & Objectives

- Project Boundaries & Integration Issues

Section 2: Stakeholders

- All

Section 5: Resources

- All

4. Risk, Opportunities and Benefits Management

Stage 1 – Concept to Initial Gate

Identify the Risk and Opportunities in the Risk Register (by cross-reference) that are intended to be addressed, managed, and/or mitigated by contract management activities.

Provide a brief description as to how Contract Management will contribute to the effective management of those Risks and Opportunities and the consequences if Contract Management is ineffective (by reference to the probability and impact score of the relevant Risks).

Identify the Benefits in the Benefits Management & Realisation Plan (by cross-reference) that Contract Management is intended to enable/realise. For each Benefit, briefly describe how Contract Management will contribute to its realisation.

NOTES:

- Only those Risks, Opportunities and Benefits that are intended to be managed by contract management activities should be included.
- Consider what risks the MOD be exposed to and/or what benefits are unlikely to be realised if the Contract Management Team is not appointed or does not have sufficient resources.

Stage 2 – Assessment to Market Engagement

Provide an update to the content from Stage 1 that;

- Includes all Risks and Opportunities that are intended to be addressed, managed and/or mitigated through Contract Management identified since Stage 1;
- Includes all Benefits that Contract Management is intended to enable/realise identified since Stage 1.

In addition, describe the method of evaluation of the bidders' Risk and Opportunities

Management Plan and their competence and/or appetite to manage the risks that are intended to be allocated to them under the Project.

NOTES:

- Consider how the tendering process will enable a shared understanding of the risks, opportunities and benefits to be allocated to each party under the contract.
- Consider how to improve the shared understanding of risks, opportunities and benefits to the mutual benefit of MOD and the potential winning bidder.

Stage 3 – Market Engagement to Contract Award

Provide an update to the content from Stage 2 that includes all Risks, Opportunities and Benefits identified since Stage 2.

In addition:

- add the Risks and Opportunities identified by the winning bidder that are intended to be addressed, managed and/or mitigated through effective Contract Management
- describe, in outline, the methods and processes that will be followed by the Authority and the Contractor to share and review Risks, Opportunities and Benefits

Programme and Project Related Documents

Programme Management Plan Elements:

- PgMP Executive Summary
- Project Brief
- Benefits Management Strategy, Benefits Profiles and Benefits Realisation Plan
- Programme Issue Log
- Risk Management Strategy
- Programme Risk Register

TLMP:

Section 3: Strategies

- Risk Management

Section 4: Plans and Processes

- Risk Management

5. Delivery, Performance and Compliance Measurement & Monitoring

Stage 1 - Strategic Planning

Describe the overall approach to Delivery, Performance and Compliance Measurement & Monitoring of the outputs of the intended Contract(s) identified in the procurement strategy. Include whether and to what extent the approach will be:

- “Hands-On” whereby the Authority is responsible for carrying out testing/evaluation/inspection activities in order to ascertain performance and compliance; or
- “Eyes-On, Hand-Off” whereby the Authority relies on Compliance Demonstration.

Describe the approach to the Delivery, Performance and Compliance Measurement &

Monitoring of the outputs of the intended Contract(s) identified in the procurement strategy for each:

- KUR that is intended to be delivered (in whole or in part) by the Contractor(s), and
- Risk that is intended to be allocated to the Contractor(s) (identified in the Risk Allocation Matrix);

Stage 2 - Assessment to Market Engagement

Provide a summary of the intended method of Delivery, Performance and Compliance Measurement & Monitoring expressed in the draft Contract, including descriptions of:

- the process for the Authority's monitoring of the Contractor's progress against milestones (during any design, development, construction/manufacturing, testing and commissioning phases);
- the criteria for the certification of milestones, delivery and acceptance and how the Authority will ascertain whether the criteria has been satisfied;
- any performance metrics/key performance indicators and how the Authority will ascertain their achievement;
- the detailed Contract Management Requirements.

Identify those contractual obligations that are not directly measured or monitored under the Contract.

Describe the bid evaluation criteria, and method of evaluation, that will be used to assess bidders' proposals on Delivery, Performance and Compliance Measurement & Monitoring and Contract Management Requirements (as described above).

NOTES:

- Consider:
 - What ought to be measured;
 - How it will be measured;
 - The data and information that will be required;
 - The method of data/information collection and analysis;
 - The criteria for pass/fail, compliance/non-compliance, acceptable levels of deviation from baseline performance;
 - The method that MOD will use to monitoring, auditing and verifying;
 - The IT/IS systems and software tools required and their functionality;
- Consider how Delivery, Performance and Compliance will be rewarded and remedied under the Contract;
- Consider the indicators for future possible poor performance and the requirements for reporting on those indicators (e.g. project plans, risk management plans, Earned Value Management, financial data, spares utilization, Integrated Logistics Support data) and the process for addressing such predicted failure (e.g. requirements to submit remediation plans and termination rights).
- Consider how Delivery, Performance and Compliance Measurement & Monitoring and Contract Management Requirements support and enable contractual arrangements such as pricing, payment, liquidated damages and termination.

Stage 3 – Market Engagement to Contract Award

Provide an update to the content from Stage 2, with cross-references to the Contract that is intended to be signed, that demonstrates that:

- the method of Delivery, Performance and Compliance Measurement & Monitoring is defined;
- the Contract Management Requirements are defined and that they enable effective Delivery, Performance and Compliance Measurement & Monitoring;
- each of the Contractor's and the Authority's activities, roles and responsibilities in the management of the contract are defined;

Provide evidence that the Contract Management Team, end-users and subject matter experts, have reviewed the arrangements for the Delivery, Performance and Compliance Measurement & Monitoring and have evaluated them to be workable using the resources that are (or are planned to be) made available to them.

NOTES:

- Does the Contract:
 - Define clear and unambiguous delivery, performance and compliance criteria that are measurable and verifiable;
 - Define what contract management activities will be undertaken and by whom;
 - Define the Contract Management Requirements that describe the outputs of each contract management activity and the data/information requirements that support it, in terms of its:
 - Purpose, scope and content;
 - Format and tools (i.e. software, data management and audit);
 - The timing and periodicity of delivery
 - Define the process for managing/remediating unacceptable delivery, poor performance and non-compliance;
 - Define the regularity and periodicity of reviews of delivery, performance and compliance;
- Has the evaluation of the bidders confirmed their capacity, competence and willingness to manage and bear risk? Have any shortcomings been identified for the potential contractor and are there mitigation plans to address those shortcomings?

Programme and Project Related Documents

Programme Management Plan Elements:

- PgMP Executive Summary
- Project Brief
- Programme Requirements and Management Plan
- Programme Requirements Set
- Programme Test, Evaluation and

TLMP:

Section 3: Strategies

- Requirements Management
- Integrated, Test, Evaluation and Acceptance
- Availability, Reliability and Maintainability
- Technology Management

<p>Acceptance Plan</p> <ul style="list-style-type: none"> • Programme Review Strategy • Programme Reporting Strategy 	<p>Section 4: Plans and Processes</p> <ul style="list-style-type: none"> • Requirements Management • Integrated, Test, Evaluation and Acceptance • Availability, Reliability and Maintainability • Technology Management <p>Section 6: Evaluation of Success</p> <ul style="list-style-type: none"> • All
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6. Partnering and Business Relationship Management

<p><u>Stage 1 – Concept to Initial Gate</u></p> <p>Describe the intended approach to partnering with the Contractor(s), and the measurement and management of the business relationship including:</p> <ul style="list-style-type: none"> • Whether and the extent to which partnering is appropriate; • How the approach will enable effective partnering; and • The expected Benefits of the approach
<p><u>Stage 2 – Assessment to Market Engagement</u></p> <p>Provide an update to the content from Stage 1 providing further details that:</p> <ul style="list-style-type: none"> • Identifies the contractual terms and conditions that are intended to support/enable the business relationship between the MOD and the Contractor; • Identifies the scope and coverage of the legally non-binding agreements that are intended to be entered; and • Describe the steps that are intended to be taken to: <ul style="list-style-type: none"> – develop an effective ‘cultural-fit’ between the Authority and the Contractor; – develop Contract Management and collaborative working practices with the bidders’; – encourage, share and exploit innovation; – foster efforts to achieve continuous improvement. • Describe the method and criteria for evaluating bidders’ suitability for partnering and the likelihood of realising the expected Benefits from Partnering and Business Relationship Management.
<p><u>Stage 3 – Market Engagement to Contract Award</u></p> <p>Provide an update to the content from Stage 3 that, with cross-references to the Contract and/or any other legally non-binding documents that is intended to be agreed/signed, that demonstrates that:</p> <ul style="list-style-type: none"> • there is a defined and structured approach to developing, measuring and managing

the business relationship between the MOD and the Contractor;

- the contract supports/enables an effective business relationship between the MOD and the Contractor; and
- there is a clear and unambiguous relationship between the Contract and the legally non-binding documents.
- the defined approach will realise the expected benefits. defines the method of measuring the achievement of the expected Benefits;

Define the method of measuring the achievement of the expected Benefits from Partnering and Business Relationship Management.

7. Planning and Execution (of the Contract Management Plan)

Stage 1 – Concept to Initial Gate

Provide details of the plan for the development of the Contract Management Plan from the end of Stage 1 up to end of Stage 2. The plan should clearly identify activities, timescales and resources in respect of:

- the development of requirements to enable the measurement and monitoring of delivery, performance and compliance;
- the development of bespoke contractual terms and conditions to enable Contract Management and effective partnering;
- consultation and liaison with subject matter experts, end-users and stakeholders (including those that will be responsible for the management of the contract).

The plan should describe all significant assumptions and risk to the achievement of the plan.

Stage 2 – Assessment to Market Engagement

Provide details of the plan for the development of the Contract Management Plan from the end of Stage 2. The plan should clearly identify activities, timescales and resources in respect of:

- The evaluation of bidders' proposals in respect of contract management;
- The establishment of the Contract Management Team including:
 - The transition from existing arrangements to those intended to be in place from the point of Contract signature and through each defined phase or stage of the Contract;
 - The recruitment and appointment of staff to any new posts;
 - The provision of training to the Contract Management organisation and other stakeholders in the management of the Contract;
 - The appointment of external advisors;
 - The availability of Subject Matter Experts;
 - The acquisition of contract management tools (e.g. Shared Working Environments, document management software);
- The development of collaborative working practices with the bidders';

- The preparation and drafting of the Operational Contract Management Manual.
The plan should describe all significant assumptions and risk to the achievement of the plan.

Stage 3 – Market Engagement to Contract Award

Provide details of progress against the provided at Stage 2 and confirm:

- progress in the establishment and training of the Contract Management Team;
- progress in the preparation and drafting of the Operational Contract Management Manual.

Describe when and how the success and effectiveness of:

- the Operational Contract Management Manual (once issued)
- the Contract Management Team, and the Contractor-side equivalent
- the Contract Management Liaison Structure
- Risk, Opportunities and Benefits Management
- Delivery, Performance and Compliance Measurement & Monitoring
- the performance of the Contract against the user’s needs

will be reviewed, benchmarked and revised throughout the life of the Contract;

Provide details of the plan (including activities, timescales and resources)

- for all outstanding actions from Stage 2;
- for all work planned to be carried out following Contract Award.

Programme and Project Related Documents

Programme Management Plan Elements:

- PgMP Executive Summary
- Project Brief
- Programme Work Breakdown Structure & Schedule of Activities and Milestones
- Programme Assumptions Log

TLMP:

Section 4: Plans and Processes

- Project Schedule

Operational Contract Management Manual

[Project Name]

Version [n.n]

Dated [dd/mmm/yyyy]

Author:
Authorised by:

1. Introduction

The Operational Contract Management Manual is a working document[s] for use by the Contract Management Team that sets out:

- instructions, policies and procedures for the management of the Contract by the Contract Management Team; and
- the operational use of the Services by the end-users.

This document can be found at [*electronic location*] [and consists of the following parts...]

This document is **UNCONTROLLED WHEN PRINTED** and the next review of its content is planned for [*dd/mmm/yyyy*]

Any comments on the content of the documents and suggestions for amendments and additions should be addressed to [*e-mail address*]

2. Project Summary and Objectives

Provide a brief summary of the purpose, scope and the outputs of the Contract in the context of the Project/Programme. Include the Key User Requirements, and key constraints and interfaces with other projects

3. Contract Management Team Structure, Governance and Stakeholders

This section should include:

- An Organogram of the Contract Management Team, their roles and responsibilities and key contacts;
- The details and periodicity of regular internal Contract Management Team meetings, including attendees and any standing agenda.
- The level at which Key Decisions relating to the Contract and its management will be taken,
- The Project Governance Structure up to an including the Senior Responsible Owner and those responsible for through-life assurance. Include details of any regular meetings, their periodicity and terms of reference;
- A stakeholder map showing the involvement and/or interest of each stakeholder in the project, their contact details and how each stakeholder will be engaged by the Contract Management Team and/or the Contractor;
- The details of any regular reporting or briefings that should be provided to stakeholders and the Senior Responsible Owner, including the timing and content of any such reports and the source of data/information (particularly if the source of data/information is from the Contractor).

4. Contractor's Management Team Structure, Governance and Stakeholders

This section should include:

- An organogram of the Contractor's (or SPV's) management team, their roles and responsibilities and key contacts;
- An organogram of the parties/companies in the contractual chain including all holding companies, 3rd Party funders, shareholders, subsidiaries, trustees and major subcontractors and a brief summary of their role and/or interest.
- The ownership of shares in the Contractor, including the % share and their voting rights.
- The governance arrangements as between the Contractor (or SPV) their shareholders and any 3rd Party Lenders, including the purpose and periodicity of any meetings and/or reporting requirements.

5. Contract Management Liaison Structure & Meetings

The purpose of this section is to set out the liaison and management arrangement between the MOD and the Contractor, as opposed to the organisation and management structure of the MOD in section 3 and the Contractor in section 4.

In this section provide details of the structure and hierarchy of liaison arrangements between the Authority and the Contractor from day-to-day planning meetings to annual reviews, including:

- the role and function of each layer along with the membership of the meeting, who the chairperson is, any standing agenda and the outputs.
- the informal dispute escalation procedure, prior to any dispute entering formal mediation/arbitration.
- any regular progress and/or project management reporting requirements including the provision of reports, their purpose, scope and content and the process for any reviews.

An illustration of a Contract Management Structure that also shows the respective MOD and Contractor governance structure is at [Appendix 1](#).

6. Communication Protocols

The purpose of this section is to describe the processes and protocols of communication between the Authority and the Contractor. This description should make a clear distinction between the protocols for:

- regular and day-to-day aural communication;
- written 'informal' correspondence that is not intended to have any legal or contractual effect or is intended to be without prejudice to the terms of the Contract (i.e. the

provision of information or data, or comments on documents).

- written 'formal' communication that is required in accordance with the terms of the Contract or involves the formal notification of an intention to enforce/exercise a contractual right or remedy, or that a contractual dispute has arisen; and

This section should include the details as to:

- who is authorised to communicate on what subject matters; and
- the processes for:
 - Reviewing and commenting on documentation provided by the Contractor required under the Contract;
 - Authorising written communication with the Contractor (in particular correspondence that is 'formal' or is required under the Contract);
 - for taking legal advice on the drafting of any correspondence.

This section should provide standardised drafting of caveats and forms of letters (see examples of such correspondence caveats at [Appendix 2](#)), particularly for all those provisions of the Contract that:

- require the Authority to formally write to the Contractor on certain matters, provide notices/consents; or
- have, or are likely to have, an impact on the Contractor's revenue or would be notifiable to the 3rd Party Funders/Trustees (e.g. the Payment and Performance Regime, claims under any liability or indemnity or breach of the contract)

Also describe:

- any Shared Working Environment, its purpose, scope and content and the process for uploading shared data/information.
- processes for joint/shared media handling and how FOI requests that involve data/information held by the Contractor on the Authority's behalf will be handled.

7. Key Dates

The purpose of this section is to provide key information in a 'look-up table' or a quick reference document, with further explanation and details provided elsewhere in the Operational Contract Management Manual. This section should include all dates, timescales and trigger events expressed in the Contract where:

- the MOD has to make a decision (e.g. in respect of payment, acceptance or certification); or
- the MOD has to provide GFA;
- the Contractor has to deliver or provide an output (e.g. data/information, a report or other deliverable);
- the MOD has to review information, data, reports, claims or proposals;
- the MOD or the Contractor have to provide each other with formal written notices, plans or proposals;

Also include:

- All major milestones during the Construction Phase;
- The dates on which debt is drawn-down from any 3rd Party Funders;
- Any financial reporting dates;
- Any dates relating to the renewal of insurance policies;
- The dates on which Value For Money Review, Benchmarking/Market Testing activities are due to take place;

8. The Contract User Guide

It is recommended that there should be a “**Contract User Guide**” or “Drivers Manual” that explains in plain English the provisions of the Contract for the Contract Management Team. If the end-user of the services or goods is a separate organisation from the Contract Management Team, or there is a high turnover of users (e.g. for accommodation projects) it is recommended that a separate “**Users Handbook**” is also produced.

The Contract User Guide should be divided into themes or topics and should not be a clause-by-clause précis of the Contract. The aim should be to provide an explanation to the layman of a particular topic, without undue cross-referencing or any assumed prior knowledge. The Contract User Guide should make use of illustrations and process flow diagrams wherever possible (see Appendix 3 for examples).

Suggested topics or themes are:

- The Specification of Requirement , Delivery and Performance;
- Performance Measurement, Monitoring and Compliance Demonstration;
- The Payment and Performance Mechanism;
- Risk, Liabilities, Indemnities, Insurance and Remedies;
- Supervening Events and Step-In;
- Change and Contract Variation;
- Data, Records, Information, Reporting and Intellectual Property;
- The Financial Model and Variation of Price;
- Value for Money, Benchmarking and Market Testing;
- Termination Events, Consequences and Compensation;
- Other Project Documents (e.g. Loan Finance Agreements, Shareholder Agreements, Major Sub-Contracts e.t.c.).

If the Contract requires a high degree of collaborative working between the MOD and the Contractor, and given that the Contract will typically only set out top-level requirements, obligations and the key steps in any process, it is recommended that the Contract User Guide includes (or as a separate document) the details of the joint processes that the MOD and the Contractor will follow to meet their respective obligations. These “Collaborative Working Processes” should be documented in the form of processes flow diagrams, with narrative explanations, that clearly sets out the roles, responsibilities and outputs of each of the MOD and the Contractor (using colour coding or ‘swim lanes’) in accordance with the obligations and rights set out in the Contract. The collaborative working processes that

might be included are processes that relate to:

- The planning for and utilisation of the Services (including booking and scheduling usage);
- The planning and management of Change (see also [paragraph 10](#));
- Pre-Operational Phase delivery and progress monitoring;
- Operational Phase Performance Measurement, Monitoring and Compliance Demonstration;

The Users Handbook should focus exclusively on the end-user and how they use or operate the services, contribute to its effective performance monitoring, and where they can get help and assistance if anything goes wrong. Ideally this should be prepared and drafted by the Contractor, as the provider of the service, with input and commentary from the MOD.

9. Administration, Document & Information Management

This section should describe the policies and procedures for the administration of the Contract documents, other project and project management documentation and correspondence. This should include policies and procedures such as:

- where documents are held, their format, and how they are to be shared and with whom;
- how documents are to be stored or archived; and
- configuration control policies.

In addition to more general policies and procedures applicable to all data, information and documentation, this section should provides details of the specific policies and procedures relating to:

- the Contract;
- any leases or licences (including IPR licences);
- the financial model;
- project management documentation, in particular the Contractor project and risk management plan;
- invoices and other claims for payment;
- any documents held in escrow.

10. Change and Continuous Improvement

This section should set out the process for the management of Changes to the Requirement, the Services and the Contract respectively. This should expand on the processes set out in the Contract with the aim of ensuring that Changes are considered,

proposed, negotiated and executed effectively.

This section should include details of the:

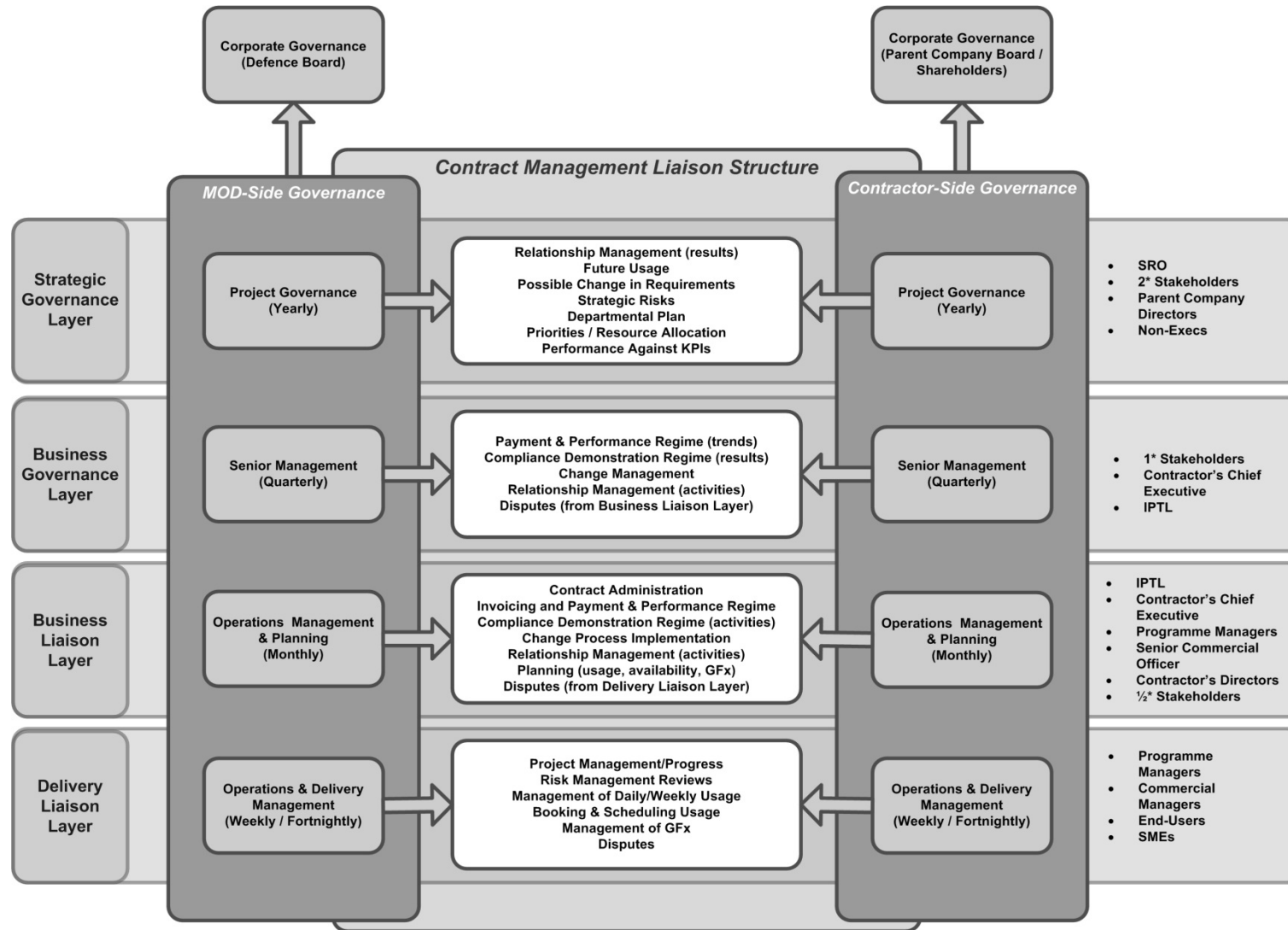
- forum for the regular review of the Contractor's performance, the MOD's requirement and the benefits, risks and opportunities, in order to identify future possible Changes, their priority, and how they can be implemented with the minimum of disruption to service delivery;
- processes for encouraging, capturing and implementing suggestions from Contractor's staff and user feedback to improve the Service and its Value for Money; and
- process of planning and managing Changes including:
 - The format and content of requests for Change and subsequent proposals;
 - The use of the financial model to understand the impact of proposed changes and aid costing/pricing negotiations;
 - The process for preparing draft changes to the Contract documentation and financial models;
 - The process for engaging with any 3rd Party Funders and their advisors;
 - The process for assurance, scrutiny, and approval from each of the MOD and Contractor-side.

11. Partnering and Business Relationship Management

This section should describe the method and process for the development and ongoing fostering of Partnering and the proactive measurement of the business relationship.

This should include cross-references to all Partnering documentation (e.g. Partnering Charters) and the process for their review.

Example Organogram of a Contract Management Liaison Structure (showing separate MOD and Contractor Governance arrangements)



B-1-1

Example Correspondence Caveats

CAVEATS TO BE USED IN ALL INFORMAL OR NON-CONTRACTUAL CORRESPONDENCE OR PROVISION OF WRITTEN INFORMATION

Letters

Nothing in this letter and any attachments to this letter (including any certification, acceptance, consent, approval or agreement) shall have the effect of waiving, diminishing or detracting from the Authority's rights or the Contractor's obligations, responsibilities and liabilities pursuant to the agreement between the Authority and the Contractor dated [dd/mmm/yyyy] ("the Contract"), or shall constitute or imply any binding commitment by the Authority. The information contained in this letter and any attachments to this letter constitutes Disclosed Data to which Clause [n.n] of the Contract applies.

E-mails

Nothing in this e-mail and any attachments to this e-mail (including any certification, acceptance, consent, approval or agreement) shall have the effect of waiving, diminishing or detracting from the Authority's rights or the Contractor's obligations, responsibilities and liabilities pursuant to the agreement between the Authority and the Contractor dated [dd/mmm/yyyy] ("the Contract"), or shall constitute or imply any binding commitment by the Authority. The information contained in this letter and any attachments to this letter constitutes Disclosed Data to which Clause [n.n] of the Contract applies.

FORM OF LETTER AND CAVEATS TO BE USED IN ALL FORMAL OR CONTRACTUAL CORRESPONDENCE.

"I am writing to hereby [confirm/approve/agrees/notifies/certifies/consents/provide notice] that [INSERT - subject matter] pursuant to Clause [n.n] of the Contract.

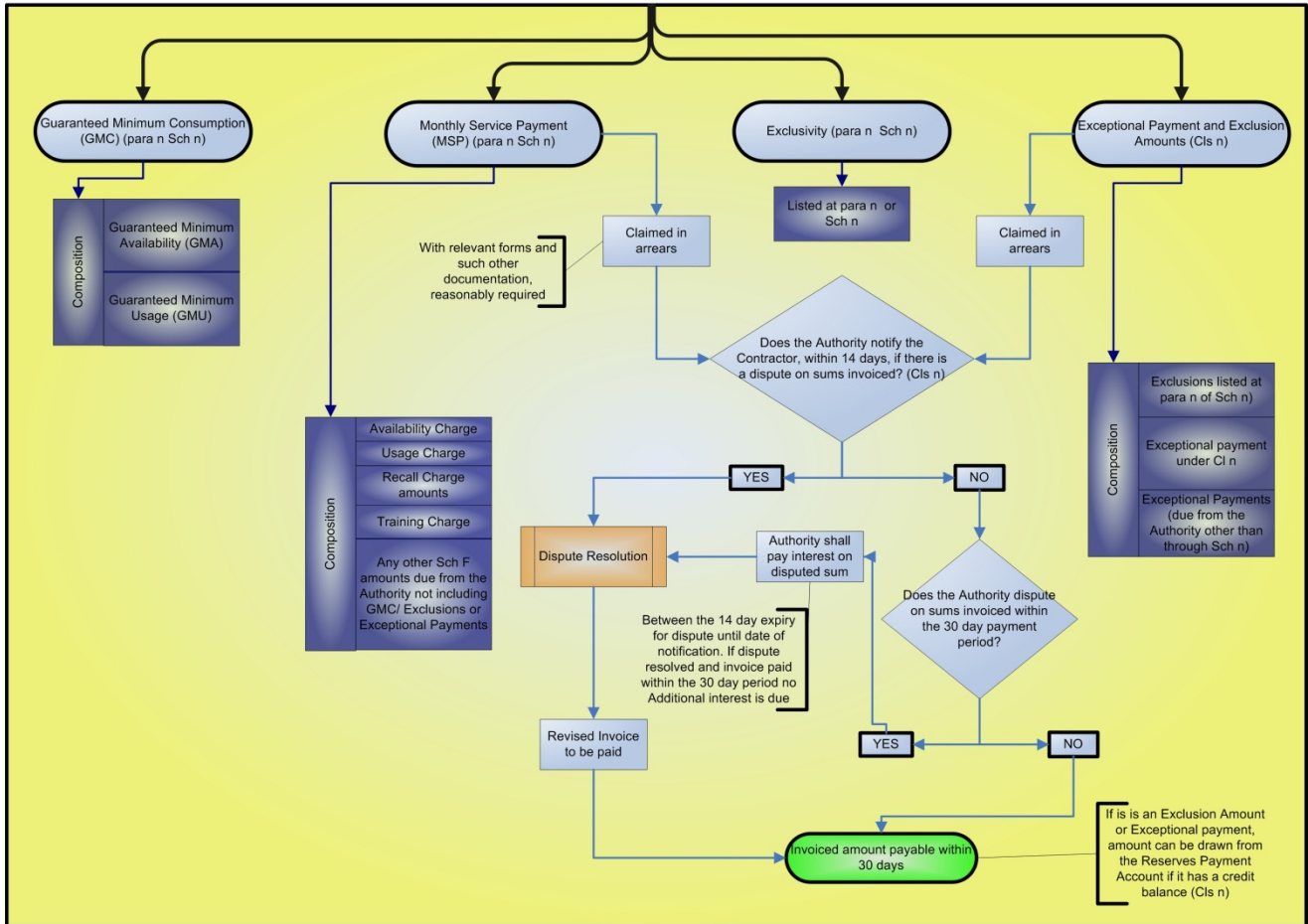
For the avoidance of doubt, this [confirmation/approval/agreement/notification/consent/provision of notice] [save to the extent expressly stated above]:

- shall not have the effect of waiving, diminishing or detracting from the Authority's rights or the Contractor's obligations, responsibilities and liabilities pursuant to the agreement between the Authority and the Contractor dated [dd/mmm/yyyy] ("the Contract");
- [shall not be construed as a waiver pursuant to Clause [n.n] - Waiver of the Contract;]
- shall not indicate or imply that the Authority agrees or is satisfied that the requirements of the Contract have been fully complied with."

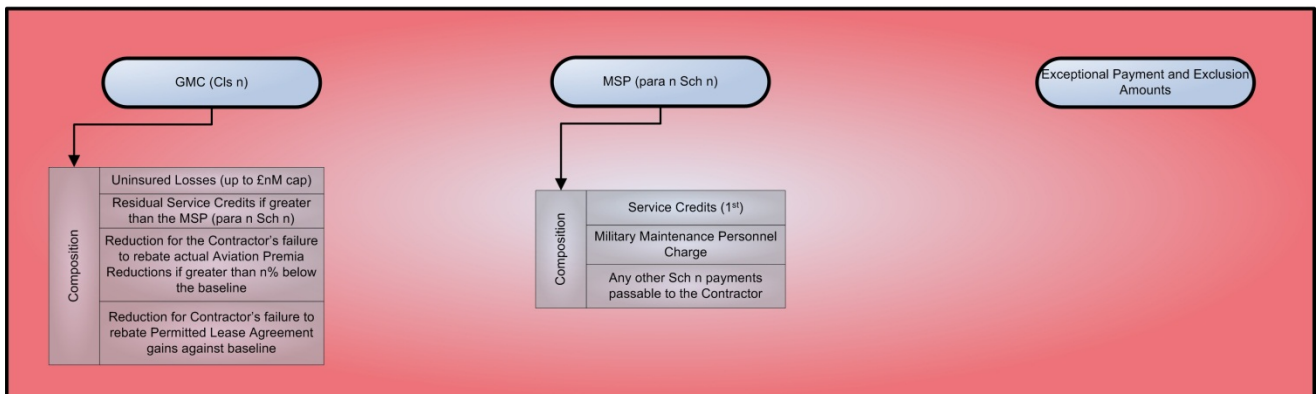
Example Contract User Guide Flow Diagram

(Clause n; Schedule n)

THE CONTRACTOR'S INVOICE WILL BE MADE UP OF...



...MINUS...



*** All Invoices have NO Tax Deductions and should have been Indexed [in accordance with Clause n]

© Crown

B-3-1

Contract Management Process Mapping & Organisation Design Guide

The purpose of this guide is to provide acquisition teams with processes and tools to assist them in defining the:

- Roles and Responsibilities of the Contract Management Team;
- The organisation structure and governance of the Contract Management Team;
- The skills and resources required in the Contract Management Team.

The process involves a following a series of steps, namely:

- **Step 1** – Define the requirement and purpose of Contract Management activities;
- **Step 2** – Define the activities and processes of Contract Management;
- **Step 3** – Define Contract Management Team roles and responsibilities; and
- **Step 4** – Define the Contract Management Team’s composition, skills and resources;

Step 1

In this step define:

- The overall strategic objective for Contract Management;
- The anticipated results and benefits of effective Contract Management;
- The external constraints and departmental processes for Contract Management;

In carrying out analysis at this step, it is worth bearing in mind that the principal purpose for all Contract Management activities is that they enable the Parties to the Contract:

- to meet their obligations,
- to successfully deliver the outputs of the Contract;
- to proactively anticipate future needs and issues;
- to optimize the efficiency, effectiveness and economy of the Contract; and
- to be flexible, adapt to change and seek continuous improvements while balancing cost and risk.

The anticipated results and benefits should include as a minimum:

- meeting the requirement (the defence capability or business need) within Performance, Time and Cost parameters;
- delivering profit to shareholders;

- exploiting opportunities, managing risks and realising benefits.

Both the MOD and the Contractor will have to work within the constraints of the respective organisation's wider policies and procedures, their business and commercial strategies and plans, and their respective governance arrangements. These include:

- policies and procedures for project and programme management;
- authority and delegations to make decisions and accountability to senior line management (including assurance and approvals processes);
- project specific Through-Life and Capability Management constraints and any planning constraints and assumptions;

Step 2

In this step define the processes and activities for Contract Management. This task can be sub-divided into the following discreet sub-tasks:

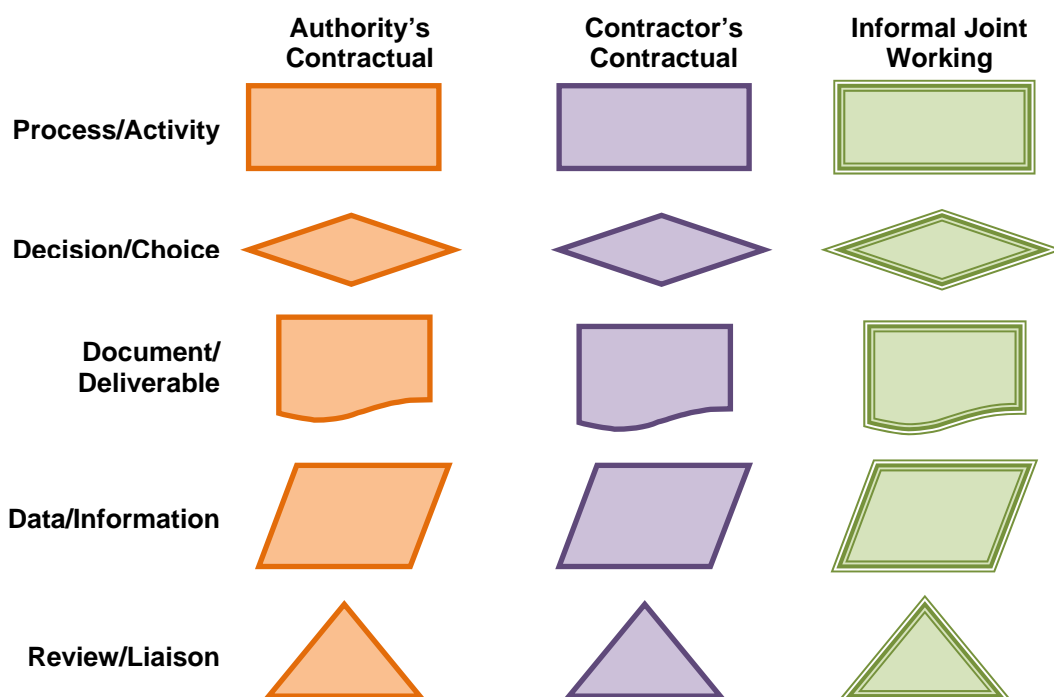
- **Step 2A – Define Contractual Roles and Responsibilities**
 - identify all Contractual outputs required to be delivered by the Contractor (the “**Contractor Obligations**”), including the delivery by the contractor of all reports (including progress reports), data and information as well as the delivery of goods and services;
 - identify all Contractual inputs required to be provided by the Authority (the “**Authority Obligations**”), including all Government Furnished Assets and all decisions, consents and approvals;
 - identify all processes defined in the Contract (the “**Contract Processes**”), e.g. the process for submitting invoices for milestone payments;
 - identify all events of liaison or meetings between the Authority and the Contractor specified in the Contract (the “**Liaison Events**”) and the purpose and scope of each such event;
 - all inputs, outputs and activities specified in the Contract should be clearly and unambiguously allocated to either the Authority or the Contractor and must be clearly separable; they cannot be shared or performed jointly (otherwise the roles, responsibilities and obligations of the parties under the Contract is unclear);
 - the interface between each of the Authority's and the Contractor's roles, responsibilities and obligations takes place when:
 - the Contractor Obligations are delivered to the Authority by the Contractor;
 - the Authority Obligations are provided by the Authority to the Contractor; or
 - the Contractor and the Authority meet with each other to either inform or consult with one another;

- **Step 2B – Map Contractual Roles and Responsibilities**

- Map the Contractor’s Obligations, the Authority Obligations and the Liaison Events into a process flow diagram to show the relationship between the respective contractual inputs and outputs and the interfaces between the MOD and the Contractor;
- Map the Contractual Processes into the process map;
- Carry out a review of the contractual process flow diagram with the Contractor to ensure that the flow and timing of Contractor Obligations, Authority Obligations, and the Liaison Events meets the requirement and purpose of Contract Management from Step 1.

- **Step 2C – Develop Joint Working Practices**

- It is very likely that the Contract Processes and Liaison Events specified in the Contract, while setting out the principles, are insufficiently detailed to act as working practices that both the Authority and Contractor can use on a day-to-day basis.
- Together with the Contractor develop joint working practices that supplement and give greater detail to process flow diagram created in Step 2B, in particular with respect to Contract Processes and Liaison Events.
- The purpose of these working practices is not to alter or dilute the role, activities, responsibilities, obligations and liabilities of the Contractor and the Authority, but is to ensure that the parties work together in a coherent and co-ordinated manner to ensure the success of the Contract.
- These working practices should be mapped into the process flow diagram created under Step 2B, but should be separately colour coded to ensure that there remains clarity as to each party’s contractual roles and responsibilities, see the example below:



- **Step 2D – Develop the Scope and Content of Contract Management Tasks**

- Using the process flow diagram from Step 2C, for each task (activity, decision or deliverable) allocated to the Authority describe;
 - its purpose;
 - the tasks that precede it, or on which it is dependent;
 - the trigger that initiates the task;
 - any criteria to ascertain its successful completion;
 - list subsequent or dependent tasks;
 - timescales, as appropriate;
 - the risks/consequences if the task is delayed.

Step 3

In this Step define the roles and responsibilities of the Contract Management Team in a Responsibility Assignment Matrix (“**RAM**”), and the interfaces and interdependencies with stakeholders and the wider MOD corporate governance arrangements.

- Using the process flow diagram from Step 2C, for each task allocated to the Authority assign the task to the roles within the Contract Management Team and identify which role is²:
 - **R**esponsible (for the achievement of the task);
 - **A**ccountable (for the proper completion or approval of execution of the task);
 - **C**onsulted (from whom opinions or subject matter expertise will be necessary);
 - **I**nformed (those who need to be kept informed or up-to-date);

Task \ Role	Role X	Role Y	Role Z	Role AA	Role BB
Activity 1	A / R		I	I	I
Activity 2	A	C		R	I
Deliverable #001	A	C	I	R	C
Deliverable #002	A		R		C
Decision A	R	C	C	C	A

² Other schemes for categorising roles in a RAM can be found at http://en.wikipedia.org/wiki/Responsibility_assignment_matrix

- For each task identify interfaces and interdependencies with other organisations within the MOD (that are external to the Contract Management Team) including stakeholders, and corporate/functional governance and assign tasks to them, identifying whether they are R, A, C, or I. For each such external organisation identify:
 - Why they have a stake, or need to be **Informed** or **Consulted**;
 - What approvals, authority, decision, information or deliverables they need to give to the Contract Management Team; or
 - What information or deliverables the Contract Management Team need to give to them;
- It should be noted that:
 - A role may be filled by a person or a group/team;
 - There can only be one **R** for each task;
 - Each task must have an **A** (although it may be the same as the **R** role);
 - External organisations normally require either to be **Consulted** or **Informed**, or exceptionally (in the case of corporate/functional governance) **Approval** will need to be sought;
 - It will often be necessary to assign a role in the Contract Management Team to take **Responsibility** for **Informing**, **Consulting** and seeking **Approval** from stakeholders and external organisations.

Step 4

Using the Responsibility Assignment Matrix from Step 3:

- for each role:
 - define the purpose and objectives of that role;
 - define the resources required to satisfy that role and fulfil the tasks;
 - define the competences, skills, qualifications, experience required to satisfy that role and fulfil the tasks;
 - define the line/function management chains and delegated authority;
 - assess whether there are any gaps in resources available or competences, skills, and qualifications and develop a plan to address these
- determine which roles:
 - have a principally ‘integrative’ function that manages, co-ordinates and orchestrates activities between other roles within the Contract Management Team;
 - have a principally ‘integrative’ function between the Contract Management Team and the stakeholders and external organisations; and
 - have a principally leadership or strategic direction giving purpose;

- define the Organisation Breakdown Structure of the Contract Management Team which will need to consider:
 - the method of co-ordinating and planning activities across all roles in the Contract Management Team;
 - the method of decision taking and escalating conflicts through the hierarchy of the Contract Management Team (including functional delegations);
 - the methods of planning and project management;
 - the method of engaging with stakeholders and external organisations and how they will be kept Informed and Consulted and how/when Approval will be sought;