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Contract Management Guidance

A guide to embedding best practice at call-off and maintaining it through the contract lifecycle.

Contents

1. Performance Management	2
2. KPIs – Key Performance Indicators	7
3. Payment and Incentivisation	7
4. Dispute Resolution	12
5. Managing Underperformance	13
6. Exit Management	14
Appendix A – Benefits Identification and Realisation Plan – Potential Headings	17

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Note: This guidance document is updated periodically and should be cross referenced against the live website link from 1 January 2027 to ensure the latest iteration is being used. https://www.sbs.nhs.uk/services/framework-agreements-categories/contract-supplier-relationship-management		
Disclaimer: The information provided in this guidance document is for general informational and educational purposes only. Readers should not act upon any information contained in this document without seeking appropriate independent commercial and legal advice tailored to their specific circumstances, whilst being mindful of the parameters of the public procurement legal framework, policy and specific call-off contractual provisions.		

1. Performance Management

1.1 Overview

Managing and monitoring Suppliers' performance may be ineffective if the right measures against the right criteria are not set and reported on. The cornerstone of effective performance management therefore is ensuring the appropriate provisions are created in the contract documentation.

When entering into a call-off Contract under an NHS SBS framework agreement, Approved Organisations will need to complete the Order Form provided within the relevant framework agreement. NHS SBS framework agreements acknowledge that there might be terms specific to each contracting scenario and therefore allows for special terms to be agreed at call-off level as agreed between an Approved Organisation and Supplier. These need to be compliant with relevant procurement law. The Order Form is the document utilised when entering into a call-off Contract under an NHS SBS framework. Approved Organisations will need to complete the Order Form provided within the relevant framework agreement. The Order Form covers the following headings:

1. Agreement Overview
2. Stakeholders
3. Periodic Review
4. Service Requirements
5. Other Specific Requirements

Section 4 in particular provides the scope for creating comprehensive contract management provisions under the following headings:

A.	Services to be Provided	I.	Charges
B.	Goods to be Provided	J.	Confidential Information
C.	Goods Delivery Schedule/Services Implementation Plan	K.	Complaints/Escalation Procedure
D.	Key Personnel	L.	Limit of Liability
E.	Sub-contracting and Personnel	M.	Management Information (MI)
F.	Policies	N.	Invoicing
G.	Leases or Licences	O.	Exit Requirements
H.	Special Terms	P.	Termination

It is therefore imperative that the Order Form is accurately completed before being executed by the authorised representatives of the Approved Organisation and Supplier, to provide the foundation for effective contract management between those parties under the call-off Contract.

The main purpose of setting up contract performance management processes, reporting tools and systems is to:

- Confirm a common understanding of service levels and Key Performance Indicators (KPIs), and the measurement and reporting regime between the Approved Organisation and the Supplier.
- Ensure service levels and KPIs realistically reflect supplier performance and target the deliverables.
- Ensure Management Information (MI) provided directly reflects the agreed service levels, KPIs and the contracted provision.
- Ensure obligations are clearly defined and monitored alongside the supplier to confirm that obligations are being met to support contract delivery.

The benefits of effective contract performance management processes include:

- Achieving organisational objectives
- Rewarding success
- Quality assurance
- Accountability
- Addressing failure
- Correcting failure
- Measuring success and failure

The table below shows the typical responsibilities of the Contract Manager for contract creation (pre-procurement) and performance measurement obligations (post contract award).

Contract Creation	Performance Measurement
Specify service levels and KPIs for the contract, including frequency and metric methodology.	Track and manage supplier performance against contractual obligations using MI dashboards.
Identify obligations, including payment and incentivisation regimes, responsibilities for subcontractors.	Track obligations progress and compliance.
Specify Management Information (MI) reporting requirements.	Undertake Balanced Scorecard review if created.

Identifying and understanding benefits realisation from the contract is also a key step in this process, Appendix A provides a list of potential headings and considerations which can be utilised to map this out prior to contract creation.

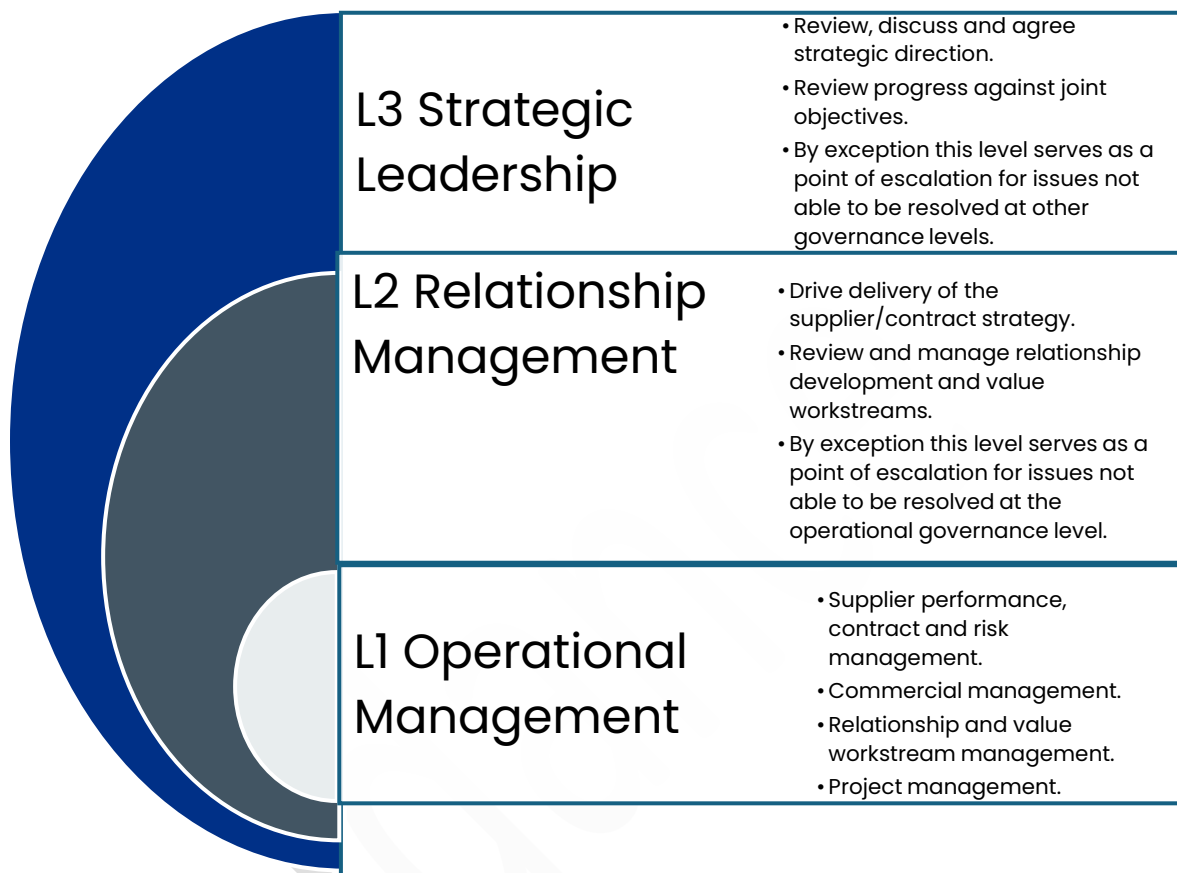
1.2 Governance

Governance structures play an important role in a healthy contractual relationship. Successful governance is about striking the right balance:

- Being firm but fair.
- Talking regularly and openly but also not interfering with delivery.
- Working collaboratively but understanding what each party is responsible for.
- Establishing senior relationships where required, to ensure the correct level of alignment is in place.

Strong contract oversight will ensure that there is control of the agreement between parties, a robust route for decisions, escalation of issues and dispute resolution. It also gives protection against scope creep. Governance includes looking forward, anticipating future needs and considering the downstream implications of decisions.

The tiered segmented approach to governing contract management is summarised in the diagram below and can be used as a decision-making tool in assessing the capability and capacity Approved Organisations can deploy on contract management activity.

Figure 1: Contract Management Tiering

1.3 Service Levels

The Order Form document should be used at contract call-off to establish agreed service levels if appropriate. Some key components to consider when creating this document include:

1.3.1 Service Description

Where appropriate, the services to be provided should be described clearly and in detail in section 4(A) of the Order Form. This includes the nature of the service, the Supplier's responsibilities and the Approved Organisation's expectations. In addition, there should be a description and definition of service interruption, i.e. a description of the circumstances in which the service owed is no longer being provided in accordance with the contract.

1.3.2 KPIs and Service Level Related Payment Mechanisms

KPIs measure the quality and efficiency of the services provided. Examples include response times, availability and error rates. KPIs provide the Approved Organisation with a quick overview of the most relevant information about the service, enabling it to measure and verify performance. KPIs can be linked to performance and service level-based payment mechanisms. Sections 4(I) and 4(M) of the Order Form should be used to capture these provisions.

1.3.3 Obligations

Details of the contractual obligations that the parties must fulfil. This will also include obligations for MI reporting, meeting attendance and other requests for information. All sections of the Order Form cover these aspects and section 6 provides the opportunity for other detailed requirements.

1.3.4 Accountability

Details of accountable officers for both Suppliers and Approved Organisations should be clearly stipulated. Sections 2 and 4(D) of the Order Form should be used to capture these requirements.

1.3.5 Risk Management

The Order Form process offers an opportunity to be proactive with risk management. It provides an opportunity to identify potential risks and threats ahead of time, and it helps all parties be clear on plans to avoid or mitigate such issues. All sections of the Order Form cover risk management aspects and should be used to detail requirements.

1.4 Summary

When contractual relationships feel amicable it can be easy to take a less robust line in contract management or delivery of obligations and develop expectations that good relations will continue in the event of large contract issues. Such inconsistency can lead to difficulties; for example, when quality or performance failures occur despite assurances, or when one party's aims are prioritised at the expense of the other, or goodwill is perceived not to be reciprocated. A healthy contract relationship involves challenge and rigorous management.

Governance structures play an important role in a healthy relationship. Successful governance is about striking the right balance.

Strong oversight will ensure that there is control of the agreement between parties, a robust route for decisions, enabling risks and issues to be addressed and mitigated as early as possible.

Engagement should be at a level which considers the tiered approach to ensure appropriate capability and seniority is matched appropriately to the contract. Governance structures should be reviewed regularly to ensure continued effectiveness.

2. KPIs – Key Performance Indicators

As detailed in section 1, call-off level KPIs are a key aspect of the contracting process in enabling robust supplier and contract performance management throughout the contract lifecycle. There are many online KPI library resources available to assist in creating the optimum range of measures. The Customer Framework Agreement Portal (CFAP), accessible at the link below also contains an increasing volume of sample call-off level KPIs within the respective framework agreement folders.

<https://www.sbs.nhs.uk/services/framework-agreements-categories/customer-framework-agreement-portal>

Section 4(M) of the Order Form should be used to detail call-off KPIs and associated reporting requirements.

3. Payment and Incentivisation

3.1 Overview

Service levels also provide the opportunity to define financial consequences if the agreed-upon levels are not met. These incentivisation mechanisms can include:

- Performance deductions and abatements – predefined sums of money or percentages that will be deducted from the contract charges for failure to meet targets (i.e. less is paid for the service).

- Service credits – sums that can be offset against future work (i.e. the same amount is paid but some additional work or goods are obtained in payment for the drop in service levels).
- Liquidated damages – a fixed or determined sum agreed by the parties to a contract to be payable on breach by one of the parties.

Other incentivisation approaches should be considered in conjunction with these service level payment mechanisms – for example, gainshare mechanisms.

Section 4(l) of the Order Form can be used to stipulate provisions regarding service credits or other payment incentivisation regimes.

Approved Organisations will need to obtain independent commercial and/or legal advice on payment and incentivisation mechanisms as there are no provisions for these within standard call-off Terms and Conditions.

3.2 Service Credit Calculation Methodology

This section sets out an example of a formula used to calculate Service Credits payable to the Approved Organisation because of service level failure in a given service period against a KPI. This is for illustrative purposes only.

3.2.1

The amount of any Service Credits shall be determined by the Achieved Service Level, the Service Level Performance Measure and the Service Level Threshold and is calculated by using the straight-line formula below: –

Service Credit % = $(m \cdot (a - x) + c)$ * Repeat Failure Multiplier – where:

“**m**” is a coefficient defined for a particular Service which is calculated from the formula $m = (d - c) / (a - b)$, that is the slope of the straight line;

“**d**” is the maximum Service Credits (%) payable if the Achieved Service Level reaches the Service Level Threshold;

"c" is the minimum Service Credits (%) payable if the Achieved Service Level falls below the Service Level Performance Measure;

"a" is the Service Level Performance Measure (%) below which Service Credits shall become payable;

"b" is the Service Level Threshold (%);

"x" is the Achieved Service Level (%) for a Service Period;

and

"Repeat Failure Multiplier" shall have the meaning set out in Section 3.3.2 and 3.3.3 of this Schedule.

3.2.2

Any Service Credits payable by the Supplier shall be subject to the following minimum and maximum:

Minimum Service Credits %	Maximum Service Credits %
2.5%	7.5%

In reference the methodology detailed in 3.2.1 the following shall apply:

- d = 7.5%
- c = 2.5%
- a = Service Level Performance Measure (SLPM) – level of performance against a KPI to be reached to preclude service credits being triggered (e.g. 90% delivery against the KPI).
- b = Service Level Threshold – level of performance against a KPI to be reached to ensure service is not failing but will trigger service credits up to the point SLPM is achieved (e.g. 70% delivery against the KPI).
- x = Achieved Service Level

3.2.3

Service Credits for services shall be cumulative against specified KPIs. For the avoidance of doubt, this means that all Service Credits will be added together to make the total Service Credit payable by the Supplier in relation to all services delivered by the Supplier.

3.2.4

Where the same root cause creates more than one Service Level Failure in each Service Period, the Service Level Failure attracting the largest Service Credit shall apply in respect of such Service Level Failures.

3.2.5

For the purposes of this agreement the Service Credit Cap means 7.5% of the aggregate charges payable to the Supplier for the relevant contract year.

3.3 Repeat Failures to Meet Service Level Performance Measures

3.3.1

If the Supplier fails to achieve a Service Level Performance Measure in a Service Period and then fails to achieve the same Service Level Performance Measure in a subsequent Service Period, the failure in the subsequent Service Period shall be a "Repeat Failure" save where the root cause analysis undertaken demonstrates to the satisfaction of the Approved Organisation that the second failure is the direct result of a different and unrelated root cause. The Repeat Failure count shall increment by one (1) for each additional failure.

3.3.2

The Repeat Failure count shall be reset to zero (0) once there have been two (2) consecutive Service Periods in which the Service Level Performance Measure has been met.

Repeat Failure Example	Service Period											
	1	2	3	4	5	6	7	8	9	10	11	12
Service Level Performance Measure (Pass/Fail)	<i>F</i>	<i>F</i>	<i>P</i>	<i>F</i>	<i>P</i>	<i>P</i>	<i>F</i>	<i>P</i>	<i>F</i>	<i>F</i>	<i>P</i>	<i>F</i>
Repeat Failure Count	<i>0</i>	<i>1</i>		<i>2</i>			<i>0</i>		<i>1</i>	<i>2</i>		<i>3</i>

3.3.3

For any failure to meet Service Level Performance Measure which is a Repeat Failure, the Service Credit applicable shall be increased as follows (the “Repeat Failure Multiplier”):

Repeat Failure Count applicable to Service Period	Repeat Failure Multiplier
0	1.00
1	1.25
2	1.50
3	1.75
4 and above	2.00

3.3.4

Intractable service level Repeat Failure on a single issue which has not been resolved despite best endeavours and extends beyond a 12-month period shall be referred to the wider contract dispute resolution process. The purpose of the service credit regime is to incentivise and optimise supplier performance and avoid repeated claims on the same issue.

3.4 Incident & Enquiry Resolution

3.4.1

The service failure “Severity Levels” shall be defined as set out in the table below:

Severity Level	Definition
Level 1	Has a critical impact on the ability of the Approved Organisation to carry out its statutory obligations where no workaround exists, and/or;
	causes major financial loss to the Approved Organisation.
Level 2	Has a significant (but not critical) adverse impact on the activities of the Approved Organisation where no workaround exists, and/or;
	causes some financial loss to the Approved Organisation.

Level 3	Has a moderate adverse impact on the activities of the Approved Organisation where no workaround exists.
Level 4	Causes minor adverse impact on the Approved Organisation.

3.4.2

Incident resolution times shall be calculated from the time of first report of the incident by the Approved Organisation to the Supplier until the time that the action has been completed by or on behalf of the Supplier to repair the root cause of the Incident or an agreed (agreed with the Approved Organisation) workaround has been implemented by the Supplier.

3.4.3

Incident shall be 'closed' only once: (i) restoration of service has been achieved; and (ii) the Approved Organisation has confirmed to the Supplier that restoration of service has in fact been achieved. Notwithstanding the foregoing, if the Supplier believes that it has achieved restoration of service and has made three (3) attempts in good faith to confirm this with the Approved Organisation but has been unable to contact the Approved Organisation to obtain such confirmation, then the Incident shall be deemed to be closed.

3.5 Price Indexation

Price indexation should be fully agreed at the point of call-off. Price indexation is a common cause of dispute within the call-off contract period and arrangements between the Supplier and Approved Organisation should be fully documented and prevent any ambiguity.

The Order Form when executed fixes the price for the term of the call off. This can be overwritten if the Approved Organisation completes section 4(i) of the Order Form, indicating that indexation is applicable.

4. Dispute Resolution

The dispute resolution process is covered in the call-off Terms and Conditions with a clear tiered escalation approach to be adopted by the Approved Organisation and the Supplier in terms of the representatives managing the dispute.

Approved Organisations will need to obtain independent commercial and/or legal advice for call-off disputes.

5. Managing Underperformance

With all procurements, especially those of moderate to high complexity, delays and unforeseen elements are often part of the landscape and can lead to underperformance issues. The comprehensive completion of the Order Form provides the foundation for managing underperformance but is not sufficient to deliver desired outcomes. How delays and issues are managed can significantly impact on success and outcomes and requires a proactive, strategic approach.

Approved Organisations should leverage best practice approaches to performance management. The 10-step approach below to managing delays and unforeseen issues provides an example of the type of model which can be adopted to address issues with confidence.

Approved Organisations will need to obtain appropriate commercial and/or legal advice to develop and deploy an appropriate model on their call-off contract.

5.1 Identify the Causes Early

The first step in addressing any problem is to understand its origins.

5.2 Develop a Clear Action Plan

Once the cause is identified, the next step is to create a detailed action plan.

5.3 Communicate Transparently

Effective communication is crucial when managing delays or issues.

5.4 Implement Solutions Efficiently

With the plan in place, it's time to execute.

5.5 Adjust Project Scope and Schedule

Addressing issues may require adjustments to the project scope or schedule.

5.6 Manage Risks Proactively

Effective risk management can prevent issues from escalating.

5.7 Utilise Lessons Learned

After resolving an issue, document what happened and how it was addressed.

5.8 Enhance Team Collaboration

Effective teamwork is essential for addressing project issues.

5.9 Maintain Flexibility

Flexibility is crucial when dealing with unforeseen issues.

5.10 Leverage Technology and Tools

Technology can greatly aid in managing project challenges.

Summary

Handling project delays and unforeseen issues effectively requires a blend of proactive planning, transparent communication and adaptive problem-solving.

Every challenge is an opportunity to learn and improve. Organisations and individuals should embrace these experiences to refine approaches and enhance skills.

6. Exit Management

6.1 Requirements

Exit management is the strategic process of planning and executing the termination or expiration of a contract to ensure a seamless transition of services.

An exit plan is necessary to identify possible risks and ensure service continuity. It is a 'front end' activity, considered and agreed at contract award. Section 4(O) of the Order Form should be completed to encompass requirements at call-off.

Approved Organisations should leverage best practice approaches to exit management. Section 6.2 below provides examples of the type of provisions which may be required as part of exit planning. Approved Organisations will need to obtain appropriate commercial and/or legal advice to develop and deploy an appropriate exit plan on their call-off contract.

The standard requirement under NHS SBS call-off Terms and Conditions is that suppliers and Approved Organisations will develop and agree an exit plan within three months of the contract commencement date to ensure continuity of the services on expiry or earlier termination of the contract. Suppliers shall provide the Approved Organisation with the draft of an exit plan within one month of the contract commencement date.

The Approved Organisation and Supplier will need to review and, as appropriate, update the exit plan on each anniversary of the commencement date of the contract. If the parties cannot agree an exit plan in accordance with the timescales set, such failure to agree shall be deemed a dispute under the framework call-off Terms and Conditions and shall be referred to and resolved in accordance with the Dispute Resolution Procedure.

6.2 Common Information Provided by Suppliers for Exit Management

- All records relating to delivery of the contracted provision for the six months preceding expiry or termination date.
- Change management records for duration of the contract, including any open changes.
- Operational procedures which have been developed by the parties for exclusive use in relation to the contracted provision.
- Up to date financial model showing full reconciliation of payments and deductions to date, as well as any outstanding payments and invoices due up to the end of the contract.
- Maintenance and statutory checks records and certificates for the year preceding expiry or termination date, including any Inspection and maintenance certificates.
- Training records for Supplier's staff, for the duration of the contracted provision contract.
- Skills audit records for the duration of the contracted provision.

- Supplier team structure and skill levels including numbers of personnel deployed in relation to each aspect of the provision.
- A register of assets.
- Details of all sub-contractors which were employed by the Supplier for the provision of the contracted provision.
- TUPE data for transferring Supplier's personnel.

Guidance

Appendix A – Benefits Identification and Realisation Plan – Potential Headings

Strategic Alignment

Organisational objectives

Problem

Name the problem

Strategic owner of the problem

Accountable for 1) Resources, 2) Backing, 3) Driving, 4) Receiving reports

Operational owner of the problem

Accountable for 1) Designing the change, 2) Making it happen, 3) Reporting benefits

Problem statement

What are the problems, where are we failing, what objectives are we missing?

Issues/barriers to success

What is preventing success? What can we do better?

As is – map the issues

Identify bottlenecks, process map

Vision of the future

What will we see if we fix the problem?

Change and enablers

What must change to enable the vision? What enablers are required?

Action

What is required from these perspectives?

Human, Technical, Physical, Governance, Cultural

Risks

What are the risks and dependencies?

Benefits Mapping and Profiling

Benefits we want to achieve

Disbenefits we want to control

Capabilities and outcomes

What do we start doing? What do we stop doing? What do we do differently? Results of change?

Work

Actions to be taken

Main benefit recipient

Category of benefit

Cash releasing, non-cash releasing, quality

Success Criteria

What are we going to measure

KPIs

How are we going to measure

Data collection method and calculation

When are we going to measure

Baseline results

Review Dates

Specify review dates

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About us

NHS Shared Business Services was created in 2004 by the Department of Health and Social Care to deliver the most cost effective and highest quality corporate services to the NHS. A unique joint venture with Sopra Steria, a European leader in digital services and software development, we make life easier for NHS employees, patients and suppliers, and deliver value for money to the taxpayer.

Proud members of the NHS family, we provide finance & accounting, procurement, workforce, digital and expert advisory services to more than half the NHS in England. Committed to being a force for good, we are dedicated to acting responsibly and sustainably at organisational, team and individual level. Sharing common values and unity of purpose with the rest of the NHS family, our solutions are underpinned by cutting-edge technologies and our teams' expertise, in-depth understanding of the NHS, and commitment to service excellence.

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