



Monitoring Performance

It is necessary to monitor the performance of the contract as well as the contractor throughout the contract term to help ensure desired outcomes and value for money is being achieved. Monitoring performance is a requirement for all contracts regardless of the term, value or complexity with the appropriate methods and measures to be determined as part of the procurement planning phase. Common methods of monitoring performance include the use of reports, meetings and Key Performance Indicators (KPIs) and may involve both qualitative and quantitative measures.

Why monitor performance?

Monitoring performance can assist with identifying things such as:

- Potential issues with the contract, including under performance of the contractor or underuse / overuse of the contract.
- Whether outcomes are being achieved on time, on budget and to the required standard.
- Whether value for money is being achieved.
- Whether changes to the contract are required.
- Whether there is still an ongoing requirement for the contract.
- Potential improvements or efficiencies for future contracts.

What should be considered?

During the procurement planning phase, consider how performance will be monitored by determining:

- What is the main reason for establishing the contract?
- What are the outcomes to be achieved from the contract?
- What are the standards required? Are there any?
- What methods and/or measures could be used to determine whether the outcomes are being achieved to the required standard? Which option is the best to identify success/failure/issues?
- What data or information is required? How will it be collected? What format is required? When will it be required? Who will analyse it? Who (within the agency) needs the result? Will the data assist in identifying issues? How will the result be communicated back to the contractor?
- How will the above be included in the Request document?

Including appropriate information in the Request document should help ensure an increased understanding of the requirements and improve transparency about the approach that will be used to monitor performance and the standards required.

What should be monitored?

The suitability of performance monitoring methods and measures will vary depending on the contract type, scope, value, term and risk. The performance measures and standards may fall within categories such as:

- Quality – goods/services provided meet the specification, satisfy the documented requirements and standards and are fit for purpose.
- Timeliness – goods/services are delivered correct, complete and on time, responsiveness to issues and/or requests.
- Price/cost – prices/costs are within the contract value/allocated budget and remain competitive.
- Administration – invoices are accurate, timely and in accordance with the terms and conditions of the contract, reports are complete and lodged on time, meetings are held and attended.
- Risk – appropriate licences/accreditations/insurances are held/current, issues can be identified.

To be useful, performance measures must be selected on the basis that they measure something that is important to achieving the key contract outcomes.

When selecting appropriate mechanisms for monitoring performance it may be useful to incorporate a combination of both qualitative and quantitative measures. Qualitative data is more descriptive, with the downside being it is harder to analyse and compare as it is more open to interpretation. Quantitative data is easier to evaluate and compare as it is based around numbers and statistics. Examples of qualitative measures include things such as interviews, observations and meetings. Examples of quantitative measures include KPIs, trials, and appointment numbers. Certain mechanisms can include both, such as surveys.

An example of the inclusion of qualitative and quantitative measures in a cleaning contract:

Qualitative

A monthly inspection of the quality of cleaning provided. This would include the contract manager and contractor undertaking a visual inspection of the cleaning undertaken and agreeing on a quality rating based on a number of predetermined criteria.

Quantitative

A weekly report which details the number of hours the cleaner was on site each week.

What can go wrong?

There are many things that can go wrong when it comes to monitoring performance, however, common problems include:

- Not considering how to monitor performance or waiting until after a contract is awarded to start thinking about methods and measures for monitoring performance.
- Not monitoring and/or measuring the right things.
- Having too many measures or not enough.
- Including methods and/or measures that are not specific enough.
- Including methods and/or measures that are unrealistic or too complex to implement or interpret.
- Including methods and/or measures in the contract, but then not using them or only using them sometimes.
- Only monitoring the performance of the contractor and neglecting to also monitor the overall performance of the contract.
- Assuming that everything will go to plan and that the contractor will just do what is required.

Other resources

The preferred methods and measures for monitoring performance should be clearly outlined in the Request document with any outstanding issues clarified and agreed with the contractor prior to the award of the contract. The chosen methods and measures should be reviewed periodically throughout the contract term so that they remain relevant.

Once a contract is established, in order to successfully monitor performance all parties need to be clear on their requirements, ensure they are meeting those requirements and have ongoing communication. This may include things such as attending meetings, providing reports, analysing data or KPIs as required.

There are several tools that could be used to assist with monitoring performance. These can be found in the following [Finance](#) web pages:

[I Manage a Contract - Resources](#)

- Contract Management Workbooks for Agency Period Contract and One-off Contract
- Key Performance Indicators
- Supplier Performance Management Framework.

[Goods and Services Templates and Guides](#) (Contract Management)

- Contract Management Plan - template
- Contract Review Report – template
- Contract Review (low risk)