Crown Commercial Service

LOCAL PARTNERSHIPS

Government Commercial Function

Local Government Association

CONTRACT MANAGEMENT PIONEER PROGRAMME

Relationships with suppliers

PART OF CONTRACT MANAGEMENT SUITE OF TOOLS

CONTENTS

1 PRINCIPLES

A clear, shared understanding – both across the council and with suppliers – is an important aspect of effective contract management. While it may be appropriate for there to be some flexibility around how frequently contract managers or strategic relationship managers (SRMs) should meet suppliers, there are some common principles which can be applied:

- Ensuring, from the outset, and no later than handover from those responsible for procurement, that contract managers and SRMs are aware of how often they should meet suppliers.

- Ensuring that the requirements for meeting suppliers are clearly documented within the terms and conditions.
- Ensuring that the requirements for meeting suppliers are appropriate for the size and risk of contracts.
- Taking a differentiated approach based on risk, where meetings will be more regular for contracts which are tactically or strategically significant.
- Using KPIs as the basis for contractual management meetings, making use of both "hard" data around performance as well as indicators such as customer satisfaction and relationship management.

Hint: The Procurement Act 2023 requires contracting authorities to publish three KPIs for contracts with an estimated value over £5m and report on them. Therefore, getting these KPIs right from the start (in your tender documentation, is essential).

- Minuting meetings, with action points agreed, to focus on actions to drive continuous improvement.

Hint: The Procurement Act 2023 has a stronger focus on measuring performance and greater implications for the supplier if they fail, so are more likely to be challenged – so make a record of what was agreed as evidence, even what might seem minor at the time.

- Engaging with suppliers to drive continuous improvement and value for money, capturing innovation and lessons learned along the way.
- Developing supplier relationships in such a way which recognises that the success of major projects is best achieved through a single team, where the supplier and the client work together to achieve successful outcomes.
- Encouraging and demonstrating mature commercial behaviours, understanding what drives suppliers' behaviour and how to assess profit versus excess profit.

Hint: The Procurement Act 2023 has introduced a Debarment Register that will be held nationally and published. Suppliers will not want to be on that register so might have second thoughts on becoming involved in what they consider a "difficult" council.

- Though you might have different motivation you need each other. However, always remember you are the purchaser and should not let the power balance tip to the supplier.

2 CRITERIA AGAINST WHICH TO ASSESS APPROPRIATE LEVELS

The contract manager/SRM should have regular monitoring meetings with the supplier. As a minimum the contract manager/SRM should meet at least once a year. For the most important contracts these meetings are likely to be much more regular, with meetings taking place on at least a monthly basis. The frequency of meetings should aim to align with the tiering of a contract. For example, contracts with lower value and lower risk may not necessitate as frequent meetings between the contract manager/SRM and the supplier compared to contracts with higher value and higher risk.

It is important to note that these meetings should be focused on progress, performance, and opportunities to identify and address issues, or strive for continuous improvement. "Business as usual" engagement which might take place between councils and suppliers on a weekly or even daily basis should continue as appropriate for the needs of the project, but are not considered in this context as formal engagement meetings. Likewise, other meetings which suppliers attend at which the contract manager/SRM are present (such as governance meetings, or meetings with elected members or residents) should not be regarded as engagement meetings, as those meetings will have their own agendas and are likely to have other stakeholders (either internal or external to the council) in attendance.

Refer to the guidance on tiering, but factors which the council should take into account when deciding how regularly the contract manager/supplier meet, include the following:

- **Risk (probability):** where a contract has a high likelihood of risks occurring, the frequency of meetings should tend towards the upper tier.
- **Risk (impact):** where the impacts of risks occurring would be very significant to the council (either for this or for other projects or services), it would also suggest that the frequency of meetings should be within the upper tier.
- **Value:** the larger the value of a contract, the more likely it is that the frequency of meetings should be in an upper tier. The exact thresholds should be decided by the council, but a starting point of contracts with a value of less than £100,000 per annum being low tier, and more than £500,000 per annum being highest tier, may be appropriate.
- **Projects which are novel or contentious** should have higher frequencies of meetings than other projects. Although this is a relatively broad definition, this is likely to include contracts which impact on specific communities, political sensitivities, or contracts where innovative approaches are a particular feature of the project.

The tiering of contracts in this way should be identified at initiating a procurement (or business case) and repeated at contact handover.

3 PUTTING THIS INTO PRACTICE

Whilst not prescriptive, the information below shows an approach to categorising contracts in this way:

	Tier 1 Strategic significance	Tier 2 Proportionate approach	Tier 3 Routine
Probability of risk	High risk probability	Medium risk probability	Low risk probability
Impact of risk	Severe wider impacts if risks materialise	Moderate wider impacts if risks materialise	Limited wider impacts if risks materialise
Scale	Contract value of more than £500,000 per annum	Contract value between £100,000 and £500,000 per annum	Contract value of less than £100,000 per annum
Novel or contentious	Potentially highly impactful, sensitive or innovative	Potentially moderately impactful or innovative	Limited or no novel or contentious elements to contract delivery
Meeting frequency	Every month	Every six months	Every year

As a rule, where a contract has characteristics of more than one tier, the assumption should be that it is placed in the highest tier with which the contract has characteristics. For example:

Case Study: A Council has entered into a £10m contract to install a new Combined Heat and Power system into a multistorey residential tower block. In preparing the business case for the project, the prospective contract manager has identified the project as being:

- Medium risk probability, as although this is a complex engineering scheme, this is the latest in a series of such installations. Risks are understood and considered to be manageable.
- High risk impact, because delays in installation would have a significant impact on residents who are living in the tower block.
- High value, because the project is a multi-million pound project which will be delivered within this financial year.

- Medium levels of novelty and contentiousness: the project is very similar to similar installations in other tower blocks, but based on experiences on some of those projects, should issues arise, either during or after installation, there is the potential for significant adverse publicity.

In this case, although the contract has some of the characteristics of a strategically significant project, and some of the characteristics of a proportionate approach contract, this should be regarded as a strategically significant contract, on the grounds of high risk probability and value. The Contract Manager/SRM should meet the supplier monthly.

Case Study: A council has entered a five year, £120,000 contract for the supply of clothing, merchandise, and equipment for a community festival, which takes place on an annual basis.

In preparing the business case for the project, the prospective Contract Manager has identified the project as being:

- Low risk probability, because the goods have been commissioned are standard products, with a long lead in time, with delivery well in advance of the community festival. Other suppliers could be sourced if necessary.
- Low risk impact, because the council could operate using supplies from the previous year's festival if necessary – this would not be ideal, as some of the merchandise supplies are relatively low, but would be manageable.
- Low value: although the multi-year contract is over £100,000, the average annual value is only £24,000 per annum, making it low in scale.
- Low levels of novelty or contentiousness: all the goods to be provided are standard items.

In this case, the contract is a routine contract. Meeting on an annual basis to review the contract and performance would be appropriate. If the supply of goods would jeopardise the feasibility of the festivals going ahead, this would raise the rankings of risk (impact) and possibly the contentiousness element of "novel or contentious", and a higher tier (and therefore frequency of meetings) would be appropriate.

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