Crown Commercial Service

LOCAL PARTNERSHIPS

Government Commercial Function

Ministry of Housing, Communities & Local Government

Local Government Association

CONTRACT MANAGEMENT PIONEER PROGRAMME

Relationships with suppliers

PART OF CONTRACT MANAGEMENT SUITE OF TOOLS



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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 thesize 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 over £5 million and reporting 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 challenge – 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 should have regular monitoring meetings with the supplier. As a minimum the contract manager 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 or segmentation of contracts. For example, contracts with lower value and lower risk may not necessitate as frequent meetings between the contract manager 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 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 £2 million 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.

A segmentation assessment can help define the risk of a contract.

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 table 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 £2 milion per annum	Contract value between £500,000 to £2 million per annum	Contract value of £100,000 to £500,000 per annum
Novel or contentious	Potentially highly impactful, sensitive or innovative contracts	Potentially moderately impactful or innovative contracts	Limited or no novel or contentious elements to contract delivery
Meeting frequency	Every month	Every six months	Every year

For further guidance please refer to our tools on tiering and segmentation.

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 £10 million 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 should meet the supplier monthly.

4: WORKING COLLABORATIVELY

This section sets out key areas where collaboration between the council (as the client) and the supplier can support service development and ensure the full value of the contracted service is realised.

Risk, continuity and horizon scanning	Taking a joint approach to identifying and managing risks enables both parties to anticipate issues and agree proactive mitigation. Although each organisation will have its own continuity plans, preparing and reviewing these together ensures a connected approach which addresses any potential barriers to delivery.

	Likewise, undertaking joint horizon scanning allows both parties to share insights and prepare for future impacts – ensuring neither party misses developments that might affect the contract.
Social value	Social value is a key opportunity to support wider council objectives. Clear communication of the council's social value priorities helps the supplier understand how to maximise their contribution. Progress should be monitored and reported throughout the lifetime of the contract (rather than at the end) and successes can be promoted jointly.
Reporting	The specification should set out clear expectations around reporting, including the format and frequency so that outputs link easily to wider council requirements. It is beneficial to work collaboratively with the supplier to refine reporting so that it is informative, transparent and proportionate, while still allowing effective monitoring of outcomes.
Beneficial change	It is inevitable that contracts will evolve over time. The council should be open to suggestions for improvement and innovation put forward by the supplier, whilst also being able to initiate changes where internal or external circumstances alter. If performance begins to decline, change control processes can support improvement before contractual breach or termination is considered. Options such as improvement plans or efficiency reviews should be explored collaboratively wherever possible.
Communication and engagement	Open and timely communication is central to successful delivery. Both parties should raise any emerging issues early so that they can be resolved together. Suppliers may be reluctant to share negative information for fear of contractual consequences, so the council should foster an environment of openness, supported by regular monitoring and diverse data sources. Suppliers often work directly with communities and therefore play a key role in two-way communication with

	residents. This can help resolve concerns before they escalate to formal complaints. The supplier needs to be aligned to the council's messages and share the feedback they receive – even when critical of the supplier – so concerns of residents and services can be addressed.
Flexibility and continuous improvement	While formal change control processes are important, it is also helpful to build responsiveness and flexibility into the specification, particularly for long-term contracts. Annual reviews, together with a shared commitment to continuous improvement, provide space to refine delivery in light of experience and changing needs.
Avoiding failure and the right balance of trust	Following a significant procurement process, it is in no one's interest for the contract to fail. Re-procuring services and ceasing a contact can be costly to the council and disruptive for residents if there is a break in service delivery. Open and honest communication, supported by a shared understanding of changing circumstances, allows early identification and mitigation of risks. Trust is essential between parties recognising motivation and resulting behaviours will be different between the council and the supplier. There is a fine balance in trust – the council should always retain control as the purchaser of services underpinned by robust monitoring and constructive challenge, whilst giving the supplier the flexibility to conduct the work they are commissioned to do.

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