

London Borough of Enfield Procurement Services

Contract and Supplier Relationship Management Guide

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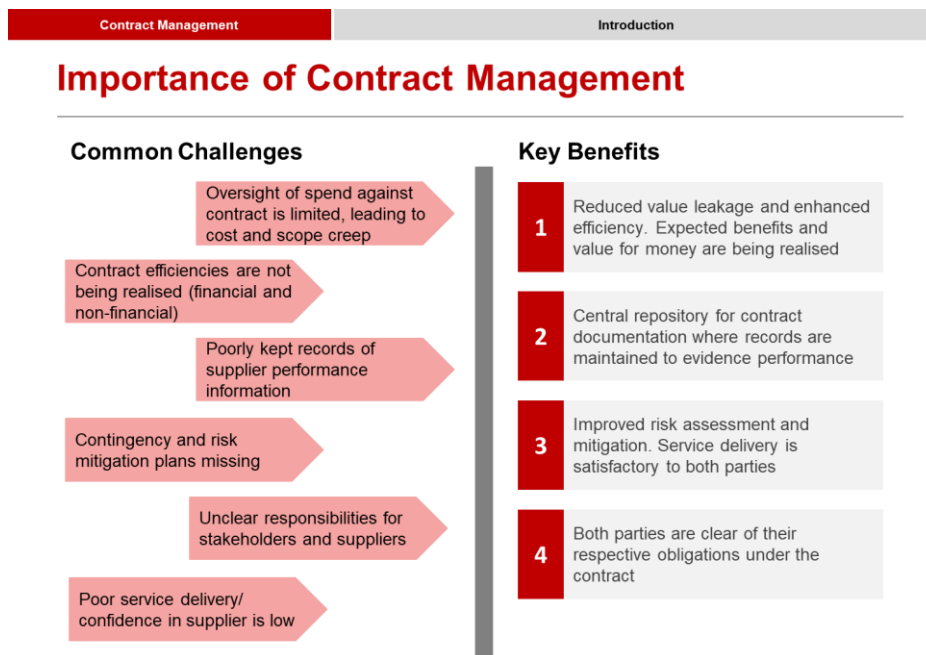
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1. Context and Purpose

The Council recognises the importance of good contract management and would like to improve the standard and amount of Contract Management that is carried out across the council.

Effective Contract Management is essential to ensuring Value for Money (VFM) is being delivered and that outcomes are delivered through the contract and meeting Council's needs. The [Contract Procedure Rules](#) (CPR's) and Procurement manual also state that a contract managed must be nominated in the London Tenders Portal (LTP) for all contracts over £100,000 (contract value), and that evidence of Contract management activity for contracts of £250,000 and over.

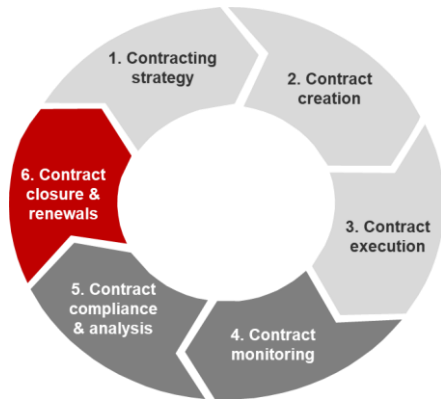
To support Contract Management the Council is reviewing its Corporate Contract Register and is driven by a desire to have better visibility of spend and existing contracts and ensure horizon planning for contracts that may be coming up for renewal. It is the responsible of the contract manager to ensure that the data in the corporate contract register is up to date.



The Council spends around £400m per annum with 3rd parties. This is around 50% of the Council's spend. It is vital that services understand where their money is going and for what purpose. This spend must be in line with Councils priorities and meeting the needs of residents and clients.

Historically, there has been a culture of leaving procurement decisions too late leading to impulse decision making around the re-procurement or extension of contracts, without having explored all possible options. By more effective contract management, services are aware of their contracts and when they are coming to an end. Using the lessons learnt from effective contract management to feed into the procurement cycle.

Contract Management Lifecycle:



By having better visibility of contracts in the Corporate Contract Register, services should be able to better plan 're-procurement's and performance manage contracts effectively.

The purpose of this document is to provide guidance to services to support more effective contract management.



This document will look to:

- Raise awareness of contract management
- Provide guidance of how to carry out effective contract management

2. Getting Started

It is important to think about how the contract is to be managed during the need's assessment stage of the procurement. This should feed into the specification, and the KPI's set out in the tendering documentation. This will help to focus on the key deliverables within the Contract and how they are to be delivered.

Make sure you follow corporate governance before starting and obtain the right levels of approval and budget prior to commencing. Refer to the CPR's and Procurement manual to ensure that you remain compliant. You will also need separate approval for award of the contract at the end of the procurement.

Make sure you carry out a risk assessment of the contract prior to starting out. This will help to identify what mitigations you may want to put in place and/or insurances.

The procurement must take place (over £25,000) through the LTP, and once awarded 'promoted to the contract register', and through on contract finders. This ensures that the council meets its obligations under the transparency regulations and reduced the number of FOI's. This ensures that your contract is registered on the Corporate Contract Register; which out promotion it will not be on the contract register. All contracts must have been properly procured or entered into in a legally compliant way.

All documentation; including a signed copy of the contract should be uploaded to the London Tender Portal. Services should also ensure that there is a nominated area within their shared drive to store contract information. This is to ensure that in the event of absence or people leaving contractual information is available. It is advisable to set up a 'folder' for each contract and ensure that all information and documentation is held here for a full auditable trail. This may be important in the event of issues or legal action.

Services should allocate a contract manager in the LTP, and they will then receive alerts for the contract reviews. If the nominated person leaves, the service must inform Procurement to update the contract manager in the LTP. All contracts over £100,000 **MUST** have a nominated contract manager in the portal.

3. The Corporate Contract Register

All services will be expected to review their Contract Register at the Departmental Procurement Boards. At the end of each year Services will need to provide a report on 'off contract spend', to the Audit and Scrutiny Panel. This will detail spend with suppliers where there is no contract or spend on a contract that has exceeded the contractual value; with no evidence of variation.

It is the responsibility of the Departmental Boards to ensure that services within their area are maintaining accurate data within the Contract Register.

4. Contracting Strategy

When developing a contract strategy, you need to consider:

1. What are the specific needs the contract is going to meet?
2. How will the procurement occur? Route to market
3. What is the likely value of the procurement?

4. Who are the main internal stakeholders?
5. Who will this effect internally?
6. Do any external partners or stakeholders need to be consulted?

You should capture the roles and responsibilities of the stakeholders in your project documentation.

Develop your governance, including contract templates and pricing schedules. Define the KPI's and risk assessment.

Define terms and deliverables, service delivery framework and contract delivery and invoicing.

A Segmentation Matrix can be used to understand the criticality of the contract or the supplier you are procuring. The goods, services or works you are procuring may fall into the Transactional, Core or managed or Strategic product rage. Understanding how your procurement is segmented is vital to the procurement and contracting strategy.

		MANAGED	STRATEGIC	
Market Complexity / Supply Risk	High	<p>Outcome: Ensure Security of supply</p> <p>Leverage:</p> <ul style="list-style-type: none"> • Obtain major cost savings through leverage and negotiation • Maximise value • Create and exploit market competition 	<p>Outcome: Ensure Security of supply at a good price</p> <p>Grow:</p> <ul style="list-style-type: none"> • Manage supply risk and vulnerability • Maximise performance • Develop collaborative, open book partnership • Co-invest and/or co-develop • Shared common vision 	
	Low	TRANSACTIONAL	CORE	
		<p>Outcome: Efficiency and simplicity</p> <p>Divest:</p> <ul style="list-style-type: none"> • Remove unnecessary complexity • Minimise time investment • No shared vision • Transactional relationship 	<p>Outcome: Supply quality and continuity, leverage cost savings</p> <p>Mitigate:</p> <ul style="list-style-type: none"> • Remove supply risk and decrease exposure • Ensure supply security and quality • Avoid potential supply disruptions 	
	Low	Relative Cost		High

5. KPI's

Before going to procurement and drawing up a contract it is important to ensure that KPI's are created.

Determine what factors are key to (or necessary) success or competitive advantage.

Balance quantitative with (cost/quantity) and qualitative (subjective/quality) measures.

Ensure that KPI's are relevant; clear and unambiguous, and capable of direct and consistent measurement at operational level.

Ensure suppliers are clearly aware of the repercussions missed KPI's might have.

KPI examples
<ul style="list-style-type: none"> • Timeliness: The supplier will ensure that its services are available 24 hours a day, 365 days a year • Quality: The number of Major Failures must not exceed the SLA. • Innovation Capability: A minimum of 5 innovations proposed within the previous 12 months. • R&D: Minimum per annum investment must be 10% of turnover

6. The Contract

The most important document in contract management is the Contract. You must consider all elements when drawing up a contract or using a standard template. Legal Services should always be consulted if the contract is likely to be complex or there is high risk.

Contract Creation

Core Activities:	Things to consider:
Develop contract template and pricing structure	<ul style="list-style-type: none"> • Consider what sort of contract you require E.g. Time and Material only, Deliverable based contract • Ensure your contract contains the Council's minimum legal terms
Define and approve contract requirements and KPIs	<ul style="list-style-type: none"> • Review with other stakeholders the key performance indicators that should be included within the contract • How often will the KPIs be measured and reported back to the supplier? • Which requirements of your contract are critical and which are 'nice to have'?
Consider GDPR and Disaster Planning	<ul style="list-style-type: none"> • The Council are responsible for personally identifiable data, ensure your contract is compliant, or revert to the Council's Data protection officer for advise. • Ensure critical contracts to for the Council have disaster or recovery plans in place for continuation of supply in unforeseen circumstances
Negotiate terms and conditions and finalise contract	<ul style="list-style-type: none"> • Carry out negotiations with the supplier to obtain the best possible terms for the service or product required • Ratify finally agreed terms with internal Council stakeholders and obtain approval to close negotiations

It is vital that a signed copy is obtained. Often this can take time or is often forgotten after the award at the end of the procurement. Getting a signed copy of the contract must be a priority at the end of the procurement process. Where necessary a copy must be held with Legal or signed under seal with them. Please refer to the [Contract Procedure Rules](#) for guidance.

Once obtained, a copy must be uploaded into the London Tenders Portal and the Original held safely.

The contract will form the basis of your contract management plan. Understanding what is in the contract and the undertakings to ensure contract compliance and delivery.

7. Supplier ‘On Boarding’

At the start of a contract it may be necessary to work with a supplier that is new to delivering with the council or is replacing an existing supplier of goods/services or works. It is good practice even if an incumbent is taking over a new contract to have a ‘on boarding’ meeting. As this will ensure there are no ambiguities and each party is clear on what is required.

It may be necessary to have an implementation plan or transition plan for the goods/services or works to migrate to the new supplier. It may also be necessary to inform the new supplier of important information on how the Council ‘does business’ and what the expectations are.

8. Managing Contracts and Suppliers Performance

Successful delivery of goods, services and works after the contract award is dependent on:

- The effective management of the contract throughout its duration
- Developing and managing the relationship with the supplier
- Managing and monitoring the performance of the supplier against pre-determined criteria.

All contracts should have a nominated Contract Manager who will be responsible for all aspects of managing the contract, both on a day to day basis and throughout the contract term.

‘Contract management’ is a structured process which must be communicated and implemented by the nominated Contract Manager, as well as being understood and supported by the supplier. The primary aim of contract management is to ensure that the goods/services or works, as described in the specification, are delivered by the supplier, meeting all of the obligations as agreed in the contract, throughout the contract term. Ultimately, effective contract management will ensure that value for money is achieved over the life of the contract, and that effective performance delivers the desired outcomes to the required standard.

Specifically, contract management comprises five key elements:

1. Managing delivery
2. Relationship management
3. Performance management
4. Contract administration and change control
5. Dispute management and resolution.

In addition, you may consider it necessary to adopt a 'supplier development' approach to work directly with the supplier in order to improve the overall performance, quality and/or value. This usually requires performance delivery that exceeds the initial standards that have been agreed in the contract and will therefore only refer to specific circumstances.

Contract Monitoring:

- Implement and maintain contract repository
- Track and monitor contractual obligations
- Resolve issues; claims, disputes and risks

Contract compliance and Analysis

- Perform contract compliance audits
- Identify contract leakages and take corrective action
- Establish contractual analytics

9. Managing Delivery

The focus of managing delivery of the contract is to ensure that the goods, services or works that have been specified are delivered, to appropriate standards, throughout the contract term.

There are two key aspects to managing delivery in contract management:

- Ensuring the service/goods delivered meet the original specification
- Verifying that the costs of provision are no higher than what has been agreed.

The Contract Manager's role is to ensure that all aspects of the agreed service provision are in line with the contract awarded and that all performance standards are met throughout the term of the contract. To this end, it is recommended that you monitor the supplier's performance against a 'delivery schedule' or 'project plan' that details all the requirements and deliverables (including the deadline times) that are expected from the supplier. This monitoring is an essential aspect of performance management.

The Contract Manger must also ensure that goods/services or works are charged at the rate set out in the contract, and that any increases in price are within the Contract or mutually agreed.

Depending how your contract is segmented the following focus and engagement may be appropriate to monitor your contract:

	Typical Contract Characteristics	Typical Engagement Characteristics- Focus of the meeting
Strategic	<ul style="list-style-type: none"> • Critical to core processes; can have a significant impact on the Council's ability to deliver the services • Highest volume/spend/risk • Unique materials or services; substitution is time consuming and expensive • Can provide competitive advantage • Significant Total Cost of Ownership (TCO) reduction/ value creation/ risk mitigation opportunities may exist 	<ul style="list-style-type: none"> • Joint business plan with focus on long-term value, risk and reward sharing and business continuity • Detailed supplier plan with focused pursuit of joint projects, best practice, process improvements and risk mitigation • Provide an open, 360 feedback and supportive environment for supplier • Harness supplier knowledge for the Council's business growth & innovation • Ensure mutual inter-dependency for genuine strategic relationship
Core	<ul style="list-style-type: none"> • Can have major impact on core processes • High volume/spend/risk • Difficult to transition away from but not totally unique • Can provide competitive advantage • TCO reduction/value creation/risk mitigation opportunities may exist 	<ul style="list-style-type: none"> • Joint business plan with focus on continuous improvement, operational collaboration, supply chain re-engineering • Detailed supplier plan in place (performance, risk mitigation and forward plan) • Provide an open, 360 feedback, learning opportunity and supportive environment for supplier
Managed	<ul style="list-style-type: none"> • Commodity products/services • Moderate volume/spend • Low investment to manage • Opportunities to address TCO through improved supplier performance 	<ul style="list-style-type: none"> • Minimal time required to manage supplier relationship; basic supplier management/action plan required • Relationship managed more operationally/ tactically; focus on KPIs • Managed primarily through tactical sourcing efforts
Transactional	<ul style="list-style-type: none"> • Short-term, transactional relationships • Low spend • Entirely cost/delivery-driven performance management; few TCO opportunities 	<ul style="list-style-type: none"> • No relationship management and capability investment • Performance driven against standard KPIs • Governance process consists of ad hoc escalations mostly around operational or delivery issues • Interaction limited to transactional efficiency through self service, standard contracts, standard T&C's, and standardization

You also need to consider the management of risk throughout the contract. Risks should have been identified at the start of the project, but risk assessments should be carried out throughout the lifetime of the contract to ensure all risks are known and managed.

Contract management risk can be split into commercial, operational and regulatory risk so that a comprehensive list can be developed and managed.

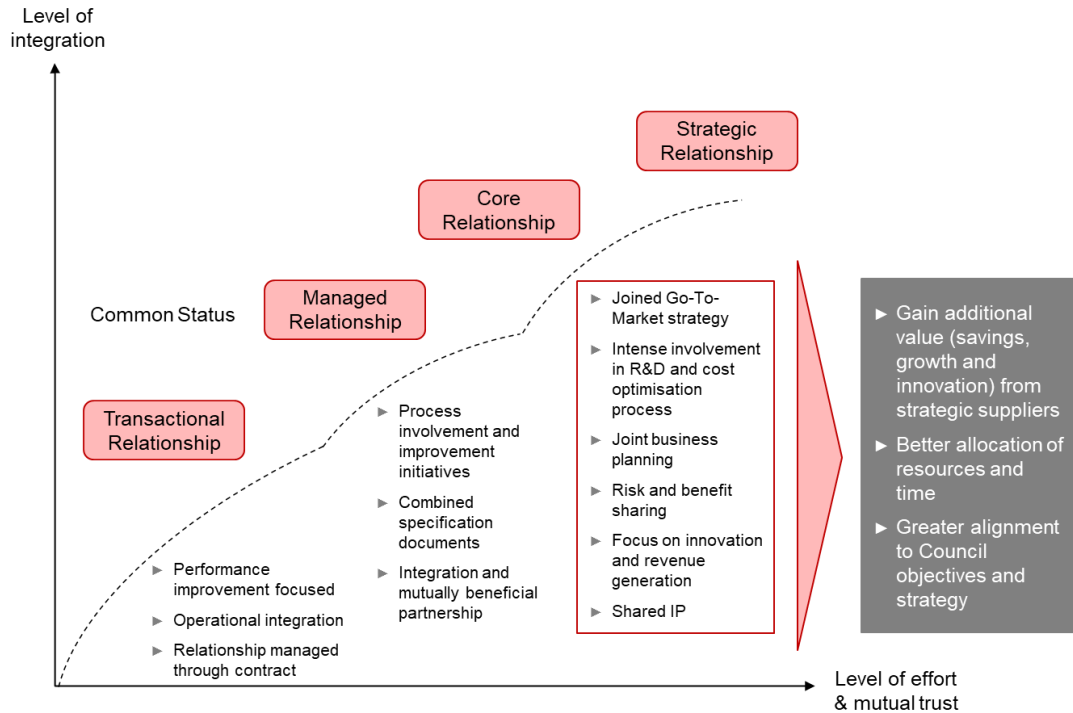
	Commercial risks	Operational risks		Regulatory risks	
	Commercial	Execution	Continuity	Strategic	Compliance
Risk examples	<ul style="list-style-type: none"> • Overpayments • Duplicate payments • Non-compliance to terms • Contractual gaps or constraints 	<ul style="list-style-type: none"> • Lacking capabilities • Late or short deliveries • Non-compliance to SLAs • Quality issues • General availability, cost and quality of labour 	<ul style="list-style-type: none"> • Financial health • Product or support discontinuation • Health, safety and environmental non-compliance • Supply failure — force majeure • Market fluctuations 	<ul style="list-style-type: none"> • Loss of IP • Damage to reputation • Technical obsolescence 	<ul style="list-style-type: none"> • Labour laws • Sanctions • Local government regulations • Fraud • Taxes (indirect)

10. Supplier Relationship Management

The entire process of awarding a contract to a supplier represents a significant investment in time and resources on the Council's part. After the contract award, there is a high level of dependency on the supplier to fulfil their obligations and to deliver the required goods/services to the Council. It is in the Council's interests therefore to ensure that, post-award, an ongoing relationship exists with the

supplier and that this continues and develops, on a highly professional basis, throughout the contract term.

With increase pressure on Council Budgets, focus should be on strategic and critical suppliers, managing these supplier relationships appropriately, and building partnerships with suppliers to add value and improve quality and increase innovation.

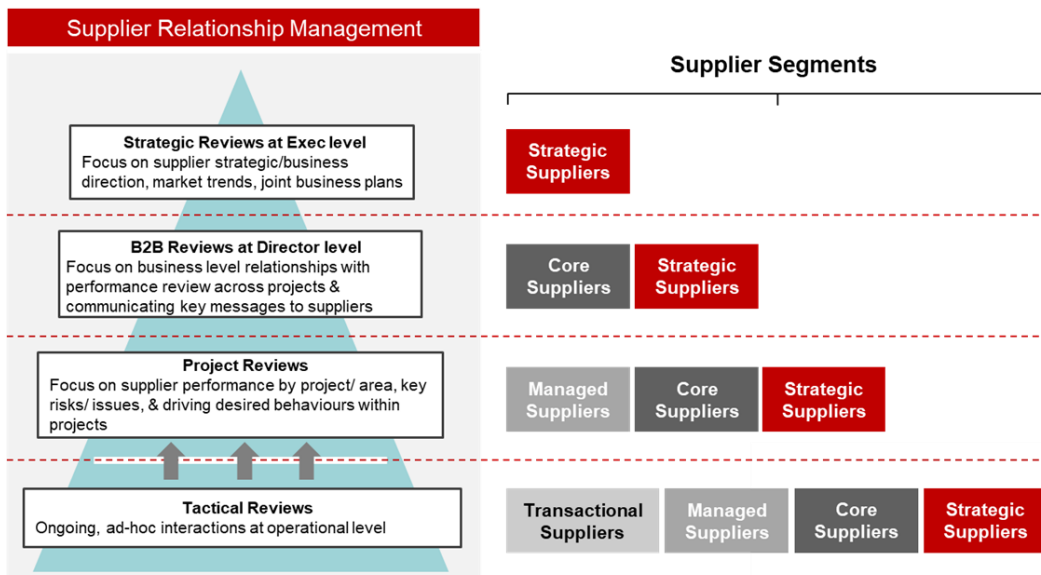


Resources should be committed from both the supplier and the Council to improve the strategic relationship.

Critical elements of supplier relationship management are:

- Clear understanding of requirements
- Honesty, openness and trust
- Regular two-way communications
- Collaboration.

Look at your supplier segmentation to understand what level of management is appropriate. An appropriate relationship per supplier segment is necessary to ensure that suppliers comply with the contracted service levels and performance metrics. A key part of onboarding is ensuring governance and monitoring requirements are addressed and operational meetings are established supporting ongoing contract management



Communications must be appropriate to the complexity, value and potential risks involved in the contract. For higher value contracts communications should be undertaken at three levels:

- Strategic** communication on longer-term issues which may impact delivery over the life of the contract. This may apply in contracts of strategic importance to the Council, or where changes in the industry or market are such that this must be monitored and managed through the lifetime of the contract. Or where the contract is more of a partnership.
- Business** communication on contract management and performance issues. Pricing schedules and commercial elements of the contract. High level review of performance over a given timescale. This is also where review of contractual issues such as insurance, DBS, and policy compliance is managed.
- Operational** technical and day-to-day issues, and generally how the contract is performing day to day.

Regular review meetings should take place with suppliers; the frequency of these will be determined by the size, complexity of the contract, or the level of risk within the Contract.

Strategic review meetings will usually be scheduled annually or six-monthly and will involve senior officers from within the Council and other key stakeholders.

Business review meetings are often held either quarterly or monthly and will involve the Contract Manager and the day-to-day management of the supplier relationship.

An example checklist for supplier review meetings is shown at Appendix 1.

It is important to consider the breadth of stakeholders involved in the relationship and to ensure that they are appropriately represented at the review meetings.

Minutes of review meetings and notes of conversations should be maintained by the nominated Contract Manager in the designated Contract File and the LTP, so the Council has an appropriate audit trail. It is important to remember that these minutes and file notes represent contract documentation and may be required to be disclosed to other parties if legally challenged. For the sake of clarity, all minutes of meetings should be agreed at the next meeting and signed by representatives from the Council and the supplier.

A template for supplier review meetings is shown at Appendix 2.

Building relationships takes time and is particularly important when a contract is awarded to a new supplier who has no previous experience of dealing with the Council. In this instance, initially, closer relationship management may be required during the initial phase of the contract to 'expedite' the relationship with the supplier and to help them to reach the required performance standard as quickly as possible.

There are several ways in which a new supplier can be supported for them to reach maximum performance quickly. You should consider sharing appropriate handover documentation and other related procedures. You may also want to consider undertaking a supplier 'induction' to meet key people and review key processes, resources and/or sites that are relevant to the contract. A Transition Plan is a good method of documenting all the activities that are required to bring the supplier up to speed. This should be drawn up and agreed with the supplier and then jointly monitored to ensure it is achieved.

Finally, at this stage of developing relationships, it is also valuable to consider how the relationship will eventually end and what exit provisions may be required to ensure handover to a new supplier at the end of the contract. This is an Exit Strategy and should include specific details of key personnel, information requirements, resources and documentation that will be required from the existing supplier to pass on to any potential future supplier, or where the service may be insourced.

11. Performance Management

Performance management is a critical part of contract management and will ensure that the goods/services provided continue to meet the required quality and other standards throughout the contract term. This is vital to ensure that VFM is maintained, and that the public purse is protected.

It is important that the contract awarded states clearly the appropriate Service Level Agreements (SLAs) which the supplier must achieve in order to fulfil their performance obligations under the contract. The service levels should be incorporated as a schedule of the supplier's contract to ensure they have legal enforceability.

Other performance targets should also be considered so that the supplier is clear about what the Council expects them to deliver under the contract. Effective targets should meet the 'SMART' test:

- Specific
- Measurable
- Achievable
- Realistic
- Timebound, i.e. state by when specific targets should be met.

In addition to SMART targets, it should be agreed with the supplier how performance against the targets will be measured and monitored. This will help with performance appraisal reviews. The means by which performance will be measured and monitored must be incorporated into the contract as this will avoid potential issues with the supplier in the future, for example about what precisely is required and by when. It is good practice to have a monitoring schedule which details this.

Targets should be determined against an agreed 'baseline', which for existing contracts relates to the current level which is being achieved. Any performance measures and standards should be determined and monitored against the baseline, so that performance improvement can be demonstrated, and any performance deterioration is quickly highlighted and can be acted upon.

The use of 'benchmarking' should be considered as part of performance measurement. Benchmarking enables comparisons to be made between organisations and helps to establish a view of what constitutes best practice in the market. There are several benchmarking clubs and collaborative working groups in the public sector providing valuable information which can be used to drive supplier performance and help to achieve best value for money – further information is available from the Procurement Services.

It is important that SLAs, targets and other performance measures are appropriate and relevant to the contract, and that they represent user requirements.

Supplier performance reviews should be conducted regularly for all contracts. The frequency will vary depending on the size and complexity of the contract. The emphasis of these reviews should be on:

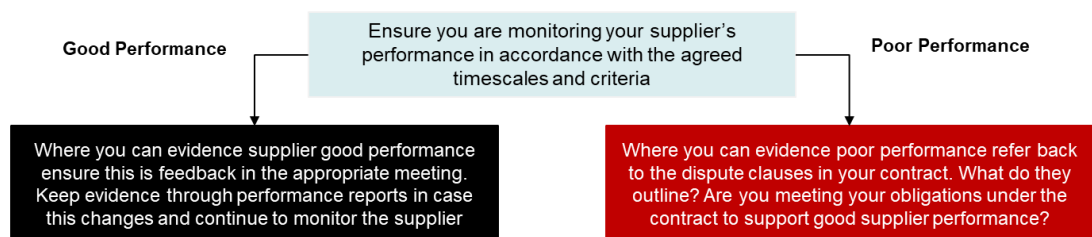
- Undertaking an objective assessment of the supplier's performance since the last review (or since the contract award for new contracts)
- Identifying areas for improvement
- Providing early warning of potential issues

- Exploring opportunities for continuous improvement within the contract.

The Contract Manager must keep detailed records of performance reviews in the Contract File and LTP. Where issues are discovered, corrective action plans should be agreed with the supplier, implemented and monitored closely.

Where the supplier is aware that they will fall short in terms of delivery against agreed targets/SLAs, the supplier should be encouraged to notify the contract manager as soon as possible so that corrective action can be discussed. A mature relationship will facilitate open productive discussion on the issues – not all of which are likely to be solely due to one party's 'fault'.

Contract Compliance: Monitoring Performance



Potential methods that can be used to managing poor performance

Performance Improvement Plan	Service Credit	Contract Termination
<p>Where the poor performance is viewed to be recoverable you may wish to set the supplier up on an improvement plan. This plan should include:</p> <ul style="list-style-type: none"> • Current performance • Target outcomes and timescales • Key steps on how target will be met • Business Impact: Why this is important for the business to reach the target • - Consequence of not meeting the plan 	<p>This is the mechanism by which the sum to be paid to the supplier is deducted where the supplier fails to meet the agreed service levels. This may be used when the contract is critical and termination is not appropriate.</p> <ul style="list-style-type: none"> • Refer back to the legal contract- what is the amount you can deduct? • Outline this to the supplier evidencing why you are not paying in full • Agree a plan to ensure this does not occur again 	<p>This is could be used if the supplier has failed to meet KPIs on multiple occasions. It could also be used, where the contract permits for the severe poor performance. Consider the following:</p> <ul style="list-style-type: none"> • Have all reasonable steps been taken to support the supplier improve their performance? • How will you ensure continuity of supply? • What is the notice period for termination? • How is the supplier obliged to support knowledge transfer?

Where performance is falling short then the Contract should be reviewed to understand if there are payment penalties, or discussions with the supplier for financial remuneration for ongoing poor performance or non-delivery.

A template for use in measuring supplier performance is shown at Appendix 3.

12. Contract Administration

In all contracts there will be some administration required throughout the contract term. For example, this will include:

- Ongoing contract maintenance

- Change control
- Ordering and payment procedures
- Management information and reporting
- Maintaining performance records
- Asset management, where appropriate
- Compliance with contractual obligations

Contract administration is an important area and it is vital that full and accurate records are maintained so that the Council has an appropriate audit trail. This is especially important in the event of disputes so that the Council can demonstrate clearly, in writing, precisely what has been agreed with the supplier, i.e. what are the Council's and the supplier's legal obligations under the contract.

Each nominated Contract Manager is required to maintain a current and well-documented 'Contract File' to act as a repository of all correspondence, reports, manuals, drawings, specifications, minutes of meetings, proposals, documentation, decisions and file notes, emails, etc. In the first instance this should be in the LTP, alternatively a file should be kept in a safe and secure place and be able to be called upon if required for disclosure to third parties during legal challenge.

Contract Managers should consider reporting on a regular basis to their management team. Escalations must be made to their management team, and where necessary to the departmental procurement board for support.

If your contract was not tendered/let via the LTP, then email procurement.support@enfield.gov.uk to ask for a contract register record to be set up for your contract.

If there are obligations for the supplier to confirm annually levels of insurance or staff with DBS etc, then this must be done as part of the monitoring of the contract obligations.

Adherence to any equalities policies, modern slavery or construction charter elements if these were included within the terms and conditions and/or the ITQ or ITT then these also need to be measured and monitored. It is important that suppliers recognise the importance of compliance with legislation, and that the Council is recognising the importance of equalities through the supply chain.

Any social value that was negotiated as part of the procurement process must also be measured. This is part of the contract and must be delivered. If the Social Value was implemented via the Social Value portal, then this is where the supplier must record outcomes and measures. If measuring manually this must be provided to Procurement Services.

13. Dispute Management and Resolution

Even in the best relationships, problems may be encountered. Procedures for dealing with issues and disputes should be agreed and set out in the contract.

The key to effective management of issues and disputes is early identification, which will be achieved through effective relationship and performance management. Prompt action should be taken as soon as a potential issue is highlighted. It may be that the supplier is unaware of issues, and a quick discussion/meeting may resolve issues.

Even when issues arise which may appear to be trivial in nature it is important that they are properly acknowledged, recorded and appropriate action taken to resolve them. Where issues cannot be easily resolved Procurement and/or Legal Services should be notified immediately.

It may be necessary to have some regular meetings to discuss the dispute and work through to a resolution. By ensuring that you have maintained records etc, any evidence should be to hand to supply to the supplier of disputes. Issues with contract must be raised with the departmental management team.

It is good practice to have escalation procedures within the contract's dispute resolution procedure so that issues and disputes can be raised to a higher level of authority for resolution without the need to go to independent mediation or litigation.

A template for use when managing contract issues is shown at Appendix 4.

14. Supplier Development

Some specific circumstances necessitate additional work to enhance the current offering from a supplier – particularly high value, complex and/or strategic supply offerings. Supplier development involves jointly working with the supplier to improve the standard of their service delivery to the Council – often beyond standard market requirements.

To achieve this, a 'team-oriented' approach is required to work with the supplier to define, scope and explore the opportunities for improving the contract performance. This may include cost reduction, service enhancement and/or quality improvement measures, and may require an element of joint investment.

Strong relationships are built on collaboration, trust and transparency. It should be undertaken on the basis of equal footing in the relationship.



Care should be taken to protect the Council’s legal position, particularly with regards to confidentiality and intellectual property ownership. You should consult with Legal Services and/or Procurement Services for further specific information.

Supplier development requires the issues to be explored and a joint action plan to be developed and signed up to by both parties. To achieve success, sometimes senior officer endorsement is also required. Further information and advice is available from the Procurement Services.

15. Managing Supplier Failure

Sometimes, despite carrying out the relationship and performance management procedures referred to above, the supplier may still significantly fall short in the delivery of key elements of the contract. In this situation, in the absence of an alternative procedure specified in the contract, the following steps should be followed:

- Immediately notify the supplier in writing of the aspects where they have failed to meet their obligations under the contract. The letter must be approved by Legal Services and/or Procurement Services before it is sent. In the letter, the supplier should be invited to attend a formal meeting with the Council. The meeting should be arranged as quickly as possible.
- At the meeting, the supplier should put forward a proposed action plan to improve their performance in line with the contract. Minutes of the meeting must be retained and must state clearly any agreed actions. The minutes should be agreed by the supplier and the Council and signed by representatives of both parties. It may be appropriate to draw up a specific action plan which should also be signed by both parties.
- The supplier must improve their performance within one month of the meeting (a shorter period may be applied where appropriate).
- Supplier performance should be monitored closely, and a follow-up meeting arranged. If supplier performance has still not improved to the

required level a further letter should be issued, which again must be approved by Legal Services and/or Procurement Services before it is sent.

- If further acceptable remedies are not forthcoming you should consult with Legal Services and Procurement Services about taking steps to terminate the contract. Prior to any termination consideration must be made as to how any continuation of service is made; including any compliant procurement.

A template for use when managing supplier failure is shown at Appendix 5.

16. Contract Termination and Closure

Contract termination can occur for numerous reasons and provision for dealing with this eventuality will be specified in the contract. Where further clarity is required you should contact Procurement Services. However, in all cases, as a minimum:

- Ensure that all Council owned property is recovered
- Ensure that you have received from the supplier or have access to all data necessary to facilitate continuation of supply
- Consider any appropriate arrangements, however temporary, to ensure continuation of supply, if appropriate. For example, through use of alternative providers (through compliant procurement route), in-house solution, another authority or one of their suppliers.

If there is a pre-existing Exit Strategy, this will help identify and mitigate the risks, issues and dependencies that are involved in terminating a contractual relationship with a supplier.

The contract may have come to a natural end, in which case this should have been planned. There may be contractual obligations set out in the contract.

A template for use when managing contract termination is shown at Appendix 6

17. Contract Variations and Extensions

Post-award variations in the contract are most likely to arise due to one of the following:

- Changing needs of the user/Council (e.g. as a result of revised legislation or additional/reduced requirements)
- Contract extension
- Price increase.

The basis and procedure for making any variations should be set out in the contract, and therefore that procedure must be strictly adhered to. Where the variation of terms is likely to exceed an increase of more than 50% of the total

contract price, then legal and Procurement Services must be consulted to ensure it is compliant. It may be necessary for the variation of the contract to be agreed through Council governance prior to allowing the variation. All variations must be agreed in advance, and in writing, by all of the parties to the contract.

A contract extension is only permissible where there is provision to this effect in the contract. The existence of such provision should be noted in the initial Authority Report, otherwise it will be necessary to return to the decision maker for approval of the contract extension. It should be remembered that any contract variation cannot exceed 50% of the initial contract value.

Any provision for price increases must be stated in the contract. Where appropriate, suppliers must provide a detailed breakdown of their costs before a price increase is permitted (such as a breakdown of labour, materials, overheads and profit). The contract manager should consider any increase in price, in conjunction with the contract, market forces, and supplier performance.

18. Formalising Contract Changes

Procedures for managing and implementing changes to terms may be laid out in the contract. However, no changes should be accepted or agreed without prior consultation with Legal Services and/or Procurement Services. Where agreed, any changes must be made in writing and signed by all parties to the contract. These must be filed in the Contract File and also kept with the original contract, whether held by you or by Legal Services.

19. Identifying and Managing Contract Risks

The supply of goods, services and works is critical to the Council in the attainment of its objectives. It is important that all relevant risks in the procurement process and in the execution of the contract are managed effectively. This should be done via the [Council's Corporate Risk](#) assessment form. It is vital that risk management continues post-award and, to this end, should encompass aspects such as supplier risks, continuity, contingency, resource planning and replacement.

As a minimum, the Contract Manager should regularly check:

- The supplier's insurance provisions
- The supplier's financial standing and credit risk
- The supplier's health and safety records
- Formal licences and registrations operated by the supplier
- The supplier's Equal Opportunities Employment Policy
- The adequacy of Business Continuity arrangements
- The supplier's Sustainability Policy
- Any other documentation that pertains to the safeguarding of the Council's staff, business or welfare in the conduct of the contract.

Reputational risk is potentially a significant issue for the Council and can arise in several ways, for example because of poor performance by the supplier and/or other actions undertaken by the supplier (or their sub-contractors) which would reflect badly on the Council.

To minimise risk and improve service delivery resilience the Council has committed to implementing the London Resilience Standards. This means that suppliers must meet the Council's Resilience Requirements. Where a contract meets the following criteria then suppliers must meet the Resilience Requirements in order to be contract with the council:

- Contract will be listed on the Services Business Impact Analysis form
- Contractor provides services that are critical to the council or will cause significant immediate impact should services fail.

In line with the Council's Business Continuity Policy; during the risk assessment, supplier failure or failure to deliver/perform should be assessed. Where delivery of the services is assessed as critical, or there would be major reputational damage in the event of a Supplier failure to supply; then Business Continuity Plans should be requested as part of the contract and services should build in contingency plans. These suppliers must be identified in the service department's Business Impact Analysis Form and provided to the Emergency Planning Team. This should also be considered where the Supplier supports the Council in the event of an Emergency/Disaster

Attached at Appendix 7 is a risks and issues log template which should be used for all major contracts. This should be updated at periodic intervals (typically monthly or quarterly) and maintained in the LTP and Contract File.

20. Benefits Management

For larger value contracts and/or those of strategic significance, benefits management should be an important aspect, as tracking of benefits achieved is likely to be a requirement of the business case. Any such benefits should feature within performance management measures and should be assessed as part of contract management.

A benefits log template is attached at Appendix 8.

21. Outsourcing and TUPE arrangements

Service contracts will include specific provision for the staff involved in the delivery of the services to the Council and their possible transfer. Where the staff have acquired rights or the contract that is to be managed involves former Council staff that have transferred over to the supplier, there will be specific legal and regulatory requirements. You must consult Procurement Services and Legal Services to check whether any of these provisions apply to your contract and what specific measures you should be introducing as a result.

Where staff will transfer you must also discuss the arrangements with your HR Advisor.

22. Large Partnerships Projects

These include specific large contract partnerships, such as PFI's and or the NHS amongst others.

Each project of this nature carries significant procurement and operational risks because of the scale and complexity of the scope. They each have their own unique characteristics or features. Guidance of [PFI Contracts](#) has been provided by the Government.

These contracts are typically high value and need disciplined contract management.

23. Contract Management Summary – Checklist

It is suggested that the following checklist is reviewed and considered from the award of the contract and throughout its duration:

1. Has the Contract Manager been nominated?
2. Has the contract been signed and uploaded to the LTP?
3. Has the contract been registered on the Contracts Register/LTP?
4. Has the Contract File been established?
5. Is there an induction or transition plan to bring the new supplier on board?
6. Is there a documented SLA or delivery schedule?
Are KPI's in place for Monitoring?
7. Is there a procedure in place for managing contractual change?
8. Have regular Strategic and Business reviews been scheduled with the supplier?
9. Is there a documented Exit Strategy in place?
10. Is there a method for tracking benefits achieved from the contract?
11. Has a Supplier Development Action Plan been created?

24. Appendix 1 – Supplier Review Meeting Checklist

Supplier Review Meeting Checklist		
Supplier Name:		
Contract Manager:		
Contact Details:		
Date of Meeting:		
Checklist		
1.	Suppliers insurance provisions	
2.	Suppliers financial standing and credit risk	
3.	Suppliers health and safety records	
4.	Formal licences and regulations operated by the supplier	
5.	Suppliers Equal Opportunities Employment Policy	
6.	Adequacy of Business continuity arrangements	
7.	Suppliers Sustainable Procurement Policy	
8.	Changes in Key personnel	
9.	Modern Slavery Charter if applicable	
10.	Construction Industry Charter if applicable	
11.	Social Value delivery (if applied)	

25. Appendix 2 – Supplier Review Meeting Minutes Template

Supplier Review Meeting Minutes Template

Date of Review Meeting:

Location of Meeting:

Attendees (from Council):

-

Attendees (from supplier):

-

Purpose of Meeting:

Agree Previous Minutes:

Matters Arising Since Last Meeting:

Performance against SLAs/Targets:

Performance Issues:

Actions Agreed:

By When: By Who:

1.

2.

Date of Next Meeting:

26. Appendix 3 – Performance Measures Template

Performance Measures Template		
Supplier Name:		
Contract Manager:		
Contact Details:		
Service Level Agreement:		
Date of Meeting:		
Checklist		
Service Level	How Measured	By When
Other Performance Targets:		
Target	How Measured	By When
Performance Review Dates:		

Note: effective targets should be complied with SMART principles.

27. Appendix 4 – Managing contract Issues Template

Managing Contract Issues Template		
Supplier Name:		
Contract Manager:		
Contact Details:		
Nature of Issue(s):		
Date of Meeting:		
Checklist		
Action Plan for Resolution:	By When	By Who
Follow-up Meeting Dates:		

28. Appendix 5 – Managing Supplier Failure Template

Managing Supplier Failure Template		
Supplier Name:		
Contract Manager:		
Contact Details:		
Reason for Invoking Meeting:		
Date of Meeting:		
Checklist		
	Refer to specified procedure in the contract	
	Follow procedure specified in the contract	
Where there is no procedure specified in contract:		
	Legal Services/Procurement Services to approve letter to supplier	
	Write to supplier	
	Arrange review meeting with supplier	
	Review supplier action plan at meeting	
	Document minutes of meeting	
	Agree minutes with supplier	
	Agree review meeting date	
At next review meeting		
	Review supplier performance	
	If performance levels are still unsatisfactory, refer to Procurement	

29. Appendix 6 – Contract Termination Template

Contract Termination Template		
Supplier Name:		
Contract Manager:		
Contact Details:		
Reason for Termination:		
Date of Meeting:		
Checklist		
1.	Consult with Legal and Procurement	
2.	Follow procedure specified in the contract	
3.	Recover all Council owned property	
4.	Obtain (or access to) relevant data	
5.	Make alternative supply arrangements (this may need to be planned in advance prior to formal cancellation).	

30. Appendix 7 – Risks and Issues Log Template

The [Council's Corporate Risk](#) assessment must be used for assessing the Risk associated with the Contract.

Name of Supplier:

Contract Manager:

Contract Details:

Date	Description	Probability (H, M, L) *	Impact (H, M, L) *	Owner

* High, Medium, Low

31. Appendix 8

Benefits Log Template

Name of Supplier:

Contract Manager:

Contract Details:

Business Case Benefits:

- 1.
- 2.
- 3.
- 4.
- 5.

Date Reviewed	Progress	Next Review