



**ROBERT GORDON
UNIVERSITY ABERDEEN**

Contract & Supplier Management Procedure



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| Approved By | Board of Governors and Finance & General Purposes Committee | | |
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CONTRACT AND SUPPLIER MANAGEMENT

1. Foreword

- 1.1 This guidance has been developed to align with the Robert Gordon University (RGU) Procurement Strategy, and encompasses best practice as set out in the Scottish Government's [Procurement Journey](#).
- 1.2 Putting in place a contract creates the opportunity to deliver value. The process of Contract Management is how the value will be delivered and benefits realised. The procedure set out in this document puts in place a consistent strategic approach to Contract and Supplier Management across RGU Schools/Departments and is applicable to all commodity categories. It provides a robust approach to drive value from new and existing contracts, and defines clear ownership by Procurement and service delivery teams for operational day-to-day management throughout the lifecycle of a contract and relationship.
- 1.3 As well as developing a consistent approach to Contract and Supplier Management, RGU aims to improve existing supplier relationships through improved management whilst at the same time supporting local businesses and SMEs, in line with the Scottish Model of Procurement.

2. Purpose

- 2.1 As set out within the Procurement Journey, the purpose of contract and supplier management is to work closely with suppliers and internal customers to minimise the total cost of ownership and to maximise efficiencies for both RGU and suppliers throughout the supply chain by:
 - 2.1.1 developing and managing constructive and transparent relationships with suppliers
 - 2.1.2 ensuring the contract is successfully executed
 - 2.1.3 maximising value for money from suppliers and contracts
 - 2.1.4 providing a formalised system of monitoring, managing and continuously improving the supplier and the buying organisations performance against the contract
 - 2.1.5 ensuring that all parties recognise and understand their contractual roles and responsibilities
 - 2.1.6 monitoring overall compliance to Key Performance Indicators and Service Level Agreements and implementing improvement plans in the event of under performance
 - 2.1.7 leveraging supplier expertise in pursuit of cost and efficiency gains
 - 2.1.8 realising of additional savings and benefits and sharing them appropriately
 - 2.1.9 effectively managing the supply chain

- 2.1.10 providing a focus for development of initiatives and innovations
- 2.1.11 driving continuous improvement
- 2.1.12 identifying of lessons learned to inform future contract terms or strategies
- 2.1.13 developing supplier relationships to maximise efficiency, collaborate towards common goals and reduce waste, environmental or social risks.

3. Priorities

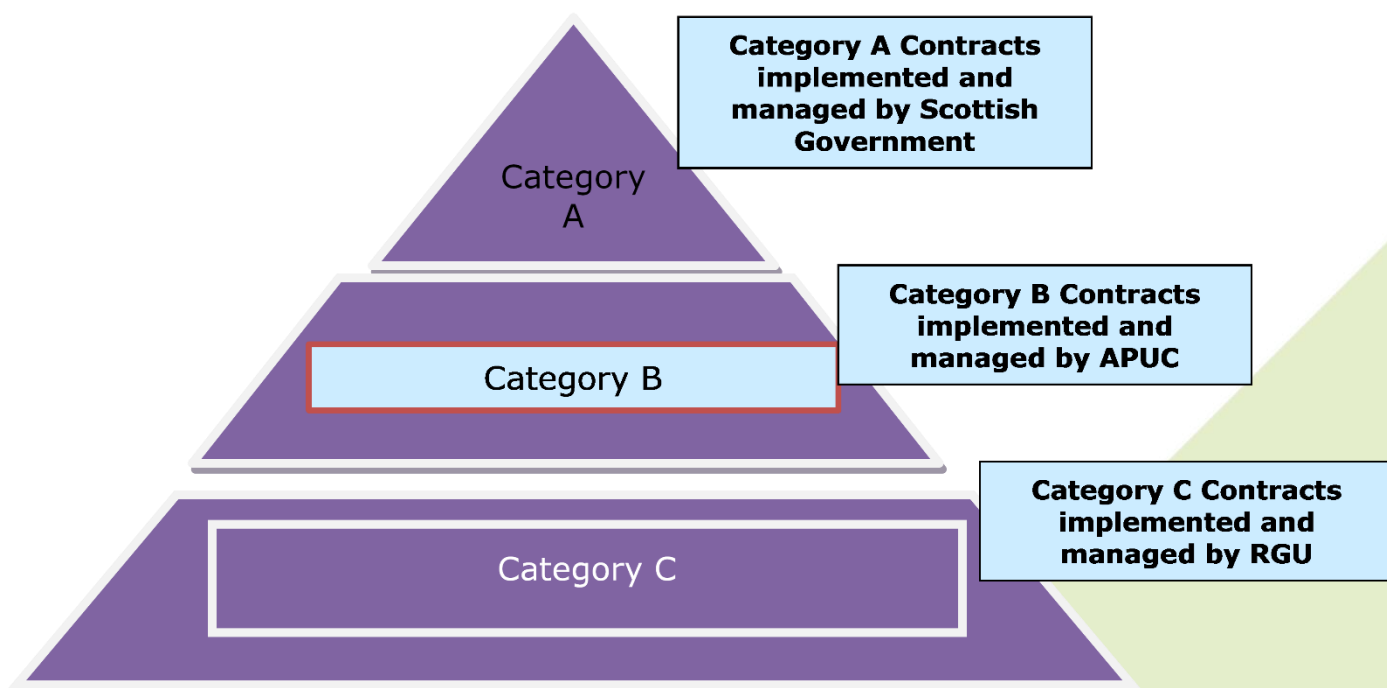
3.1 Priority areas identified to achieve this are:

- 3.1.1 the Procurement Department and RGU Service Delivery teams and stakeholders to agree ownership of the key elements of the Contract and Supplier management process;
- 3.1.2 implement a standardised agenda, minutes and action notes template for managing and documenting supplier meetings consistently across all service and commodity areas;
- 3.1.3 implement a balanced scorecard for measuring supplier performance in terms of the supply of goods, services and works contracts;
- 3.1.4 introduce supplier management meetings with identified key suppliers for each category, with an aim to seek continuous improvement in the execution of contracts;
- 3.1.5 begin a revolving programme of supplier and contract review meetings, scheduled and tracked using the Hunter Contract Database;
- 3.1.6 encourage prime contractors to engage with local suppliers and SMEs through the inclusion of Community Benefit/Sustainability clauses, and early engagement in commodity strategies;
- 3.1.7 continually review the contract and supplier management process to ensure it remains fit-for-purpose, remains consistent with Procurement Journeys 1,2 and 3, and is continuing to deliver clear benefits.

4. The Process

- #### 4.1
- The following contract management process has been designed to improve the operational phase of the contract and derive value for money. The influence of activities undertaken during the tendering/contract award phase play an important role in influencing the desired outcome. Thus, the tendering/contract award phase and the contract management phase should be seen as a continuum rather than distinct phases, with contract management planned for from the start of the procurement process.

- 4.2** The process continues through a post-contract award meeting with the successful supplier, which - as a guideline - should be conducted within one to three weeks of the contract award. The purpose of this meeting is to discuss the contract implementation phase, agree roles and responsibilities, and identify activities, SLAs, KPIs, timescales and expectations. It is important to keep in regular contact with the supplier during the contract implementation phase and to arrange meetings and maintain open dialogue throughout.
- 4.3** It is important to note at this stage that there are different category levels of contract, depending on whether they are national public sector agreements (cat A), HE sector agreements (cat B), or local contracts particular to RGU alone (cat C). This will determine the level at which responsibility for the management of the overall contract sits, although there will obviously be a degree of local contract implementation, management and feedback required in each case;



5. Contract Implementation

- 5.1** Contract Implementation consists of three distinct phases:
- 5.1.1 Migration - facilitating the movement of organisations to a new contract post 'go-live';
 - 5.1.2 Mobilisation - the process of moving from contract award and migration to 'go-live' i.e. the point when a user can actually buy from the contract; and

5.1.3 Communication – ensuring all stakeholders are aware of the contract and what it involves.

5.2 Actions that should be considered to migrate to, and mobilise a contract at this stage include:

5.2.1 End-User Information Packs, an information pack may be required to communicate and publicise the contract to inform end-users of its content, which can contain key information about the use of the contract including;

5.2.1.1 contract objectives,

5.2.1.2 details of the goods and services available,

5.2.1.3 prices,

5.2.1.4 supplier contact details,

5.2.1.5 ordering and invoice process,

5.2.1.6 returns/complaints/escalation process, and

5.2.1.7 Contract and supplier management process.

5.2.1.8 Any information pack should be proportionate to the contract, and should demonstrate how it delivers best value and provides information relating to the benefits of the contract (e.g. cost savings, KPIs, improvements in quality and service). Some example KPIs from the Procurement Journey can be found [here](#).

5.2.2 Supplier/Buyer Events

5.2.2.1 Depending on the size, value and risk level involved with the contract, a useful way to raise awareness of the contract amongst end users is to organising a Supplier/Buyer 'launch' event to give stakeholders the opportunity to meet each other, and present details of the contract and what it affords. This is also an opportunity to distribute information packs/buyers guides.

5.2.3 End user feedback, end users should be consulted as part of developing and determining the ongoing performance measurement process. It is important to establish the following:

5.2.3.1 there are clear contact points for service users both within the supplier organisation and with the contract manager;

5.2.3.2 users understand what the contract is intended to deliver, and are involved in the assessment of supplier performance where relevant;

5.2.3.3 users understand escalation routes where issues arise;

5.2.3.4 changes in user requirements are captured and considered as part of formal change and contract management processes; and

5.2.3.5 there are formal performance reviews with suppliers, with documented improvement plans agreed where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security.

6. Determine Level of Contract & Supplier Management

- 6.1** It is important when developing the Contract Strategy to determine the level of management required for the proposed contract at the specification stage, based on size, value and organisational risk as this will influence and determine the frequency and content of supplier review meetings.
- 6.2** There are three routes of contract management and every contract will be assessed in the following methodology to determine the level of contract management that will be applied. APUC provide useful guidance on this process, which is replicated here;
- 6.3** Selecting a Route
- 6.3.1 Regardless of how formal a procurement strategy is, or is not, there is always thought and decision making on how the contract or agreement will be set up, who the potential supply base is and what the desired outcome is.
- 6.3.2 A straightforward way of assessing the potential level of C&SM required is to consider the:
- 6.3.2.1 value (both monetary and importance to the organisation) and;
- 6.3.2.2 risk (also considering diversity of supply base and reputation) of the contract/agreement.
- 6.3.3 By considering these and determining if they are Low, Medium or High you will as a result select a contract and supplier management route: routine, managed or strategic.

| Route | |
|-------|-----------|
| 1 | Routine |
| 2 | Managed |
| 3 | Strategic |

| | | | | |
|------|---|-------|---|---|
| Risk | H | 2 | 3 | 3 |
| | M | 1 | 2 | 3 |
| | L | 1 | 1 | 2 |
| | | L | M | H |
| | | Value | | |

6.4 'Routine' Contract and Supplier Management

- 6.4.1 Contracts that are low value and low risk are classed as 'Routine'. This can cover procurements that are non-business critical and/or have an abundant supply base, and also Procurement Journey Route 1 contracts. In general, contract management of these agreements will include gathering management information, monitoring trends, and maintaining awareness of key category risks.
- 6.4.2 AIM: Ensure continuity of supply and risk awareness

6.5 'Managed' Contract and Supplier Management

- 6.5.1 Contracts where the value and/or risk are classed as medium to high will normally fall into the 'Managed' route. Procurement Managers shall ensure continuity of supply and value for money through ongoing effective contract management. Typical contract management activities and tools include supplier review meetings, use of KPI's, user feedback gathering and use of a Risk register. These contracts could be where there is abundant supply and therefore a chance to improve price ('Leverage'), or limited supply of a not critical/high cost item which needs management to maintain consistent supply ('Bottleneck').
- 6.5.2 AIM: Ensure continuity of supply, value for money, risk management and supplier performance. Seek supplier development where possible. Retain/gain market knowledge.

6.6 'Strategic' Contract and Supplier Management

- 6.6.1 Contracts that have high value and/or high risk will be managed strategically to ensure effective service delivery. Additional tools that could be used include balanced scorecards and Service Level Agreements. Through strategic contract management, opportunities for supplier development and greater market knowledge can be utilised.
- 6.6.2 AIM: Ensure effective contract delivery and supplier performance, risk management and maximisation of supplier and market development opportunities.

7. The Contract & Supplier Management Plan

7.1 Once the contract implementation has been completed and the level of management determined, a Contract and Supplier Management Plan should be constructed which outlines:

- 7.1.1 The Agreed Level of Management (routine/managed/strategic)
- 7.1.2 Roles & Responsibilities
- 7.1.3 Risks & Issues
- 7.1.4 Escalation Process (within supplier organisation and the authority)
- 7.1.5 Balanced Scorecard Use
- 7.1.6 Review Meeting Schedule
- 7.1.7 Process for conducting continued supplier financial checks (see financial appraisal guidelines)

7.2 This will need to be agreed with the supplier. All of these, in particular the routes for escalation and the review meeting schedule, should have been built into the initial Contract Strategy and tender, with reference to the fact that a Contract and Supplier Management plan will be developed.

8. Contract & Supplier Performance Review Meetings

- 8.1 Performance Review Meetings are an important part of the Contract & Supplier Management process and provide end users, Procurement, service management and the supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.
- 8.2 We suggest that, for contracts/suppliers where a 'managed' level of management is being applied, there should be at least two performance review meetings per year. Meetings for contracts/suppliers where a 'strategic' level of management is being applied should be held at least quarterly.
- 8.3 A template meeting agenda is available [here](#), to assist in the management of performance review meetings; this can be supplemented by the balanced scorecard sign-off template available [here](#).
- 8.4 These tools can be used by both Procurement and the supplier in advance of meetings to provide a structure to the meeting, with the scorecards in particular used to gauge where performance is improving, remaining static or declining.
- 8.5 Meetings could potentially focus on:
 - 8.5.1 Review of Actions and Minutes from previous meeting(s)
 - 8.5.2 Review of Risks and Issues
 - 8.5.3 Supplier Business Review, with updates on new products/product developments, customer-affecting issues (e.g. product issues, recalls), complaints, value adds

9. Change Control

- 9.1 Changes (variations) to services, procedures or contracts are likely to occur throughout the lifecycle of a Contract, especially lengthy and/or major, strategic contracts, which could have an effect on many aspects of the contract including:
 - 9.1.1 Service Delivery
 - 9.1.2 Scope of work
 - 9.1.3 Performance
 - 9.1.4 Costs
 - 9.1.5 Product availability / changes to specification / obsolescence / revision of rates
 - 9.1.6 Whether the Contract continues to represent value for money

9.2 The primary aim in managing variations is to minimise their likelihood; however, change is inevitable, therefore the specification and management of change (Change Control) is an integral and important part of contract management and administration. Change Control procedures should be included in the contract and discussed at the inaugural meeting. The respective roles and responsibilities of both parties in the change control process must be clearly identified, along with procedures for raising, evaluating, costing and approving change requests.

9.3 A single change control process should be applied to all contract changes. Flexibility does, however, need to be built into the process to deal with issues such as emergencies. A change control process should provide clear steps and clearly allocated ownership and responsibilities for:

9.3.1 Requesting changes

9.3.2 Assessment of Impact

9.3.3 Prioritisation & Authorisation

9.3.4 Commercial and contractual consideration

9.3.5 Agreement with provider

9.3.6 Control of implementation

9.3.7 Documentation and Communication of change

9.3.8 Updates to Terms & Conditions where applicable

9.4 If a specific change or cumulative changes significantly increase or decrease the scale or scope of the services provided under the contract, the procurement contract manager/ contract owner will need to assess whether it continues to achieve best value and provide value for money overall.

9.5 Similarly, the procurement team/contract owner must also ensure that any changes do not take the contract outside the scope of the original tender in relation to the OJEU advertisement, or permitted extensions to contracts. When this is in doubt, the change should be referred to the RGU Legal Services team for further guidance. The same level of diligence should be applied to contract variations as that applied to letting a contract.

10. Exit Strategy

10.1 As a contract progresses, the Procurement team will have responsibility for ensuring that both parties are working towards the planned fulfilment and exit of the contract, and the procurement process for securing subsequent supply arrangements if required.

10.2 The Exit Strategy should involve a full review of the contract and supplier's performance. This should include a 'lessons learned' review, which incorporates feedback from end-users and the supplier.

10.3 The final review and lessons learned should be clearly documented and communicated to appropriate stakeholders, as it may inform any subsequent procurement for similar commodities in the future.

- 10.4** Of course, contracts may also need to enter an exit phase if there is unsatisfactory performance of the contract, or if the supplier should go into administration, for example.
- 10.5** Ideally, an exit strategy or plan should be developed at an early stage, and form part of the initial contract. There are several considerations to be made when developing an exit plan, including: Continuing Service Requirements, Data Security and Privacy, Knowledge and Documentation Transfer, Costs, and People. More information on this is included within the [Procurement Journey](#).

11. Review

- 11.1** This procedure will be reviewed every three years or as required.



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