

# **Contract Management Policy**

## London Borough of Croydon

Strategic Procurement & Governance,  
Commercial Investment, Resources Directorate

*Policy date and version: September 2022, v.1.9*

*Approved by CMT: (TBC); Cabinet: 16 November 2022 (TBC)*

*Next review date: September 2023*

## **Purpose**

The Contract Management Policy provides a clear, proportionate, and standardised approach to managing and administering contracts for goods, services and works purchased from suppliers by the London Borough of Croydon. The Policy informs our residents, suppliers, and potential suppliers of the Council's standard for managing such contracts. The Policy is one component of the Council's Contract Management Framework.

Our Contract Management Policy is based on seven core principles:

1. Achieve best value for money for the Council and our residents, driving continuous improvement and innovation where we can.
2. Corporate oversight of contracts and appropriate internal controls to manage risk and enable strategic oversight.
3. Adopt a Council-wide standardised approach to contract management, with clarity on roles and responsibilities.
4. Proportionate management and reporting on contracts based on risk, value, and complexity.
5. Apply modern day best practices to contract management, utilising advice and training from central government and expert organisations.
6. Simple to use processes, simplifying council governance throughout the procurement cycle.
7. Co-design and utilise the Framework with a network of contract managers across the Council, ensuring that successful delivery of contracts is best achieved through a joined-up and communicative approach.

## **What is Contract Management?**

Contract Management is the management and administration of supply contracts, developed by client and suppliers, to ensure goods, works and services are delivered as agreed by all parties throughout the contract lifecycle. This may extend beyond the contract term where there may be ongoing obligations around maintenance, guarantees and warranties

Success criteria are that contractual obligations for agreed cost, quality, productivity, and frequency are met. Good contract management informs procurement planning and potential contract changes and variations in scope and price.

## **Why is Contract Management Important to the Council?**

Effective management of supply contracts is essential in helping the Council achieve its corporate objectives and ensure best value is achieved after we have awarded our contracts. To ensure supplier efficiency and compliance requires management throughout the process.

Contract management is the critical phase in delivering the contracted goods and services in an ever-changing environment, whilst managing costs and risks, nurturing innovation, and seeking continuous improvement.

Good practice Contract Management can deliver the following outcomes:

<b>Outcomes</b>	<b>Application to the Council</b>
Business Benefits	Managing supplier performance to ensure suppliers are achieving our minimum expectations and embodying our values, maintaining quality throughout the contract term and identifying opportunities for future improvement and innovation.
Value for Money	Enables saving and benefit opportunities identified to be realised, ensuring contract deliverables are met, achievement of procurement outcomes, deliver social value outcomes, supply chain improvements to benefit SMEs and local economy, identifying savings opportunities.
Risk Management	Management of contractual risks and supplier failure risks, awareness and compliance with contractual and legislative obligations, managing unforeseeable or unplanned events that may impact contract costs, scope or deliverables.

## Scope

This policy:

- applies to the Contract Award and Handover stage of the procurement lifecycle. This lifecycle is covered by the Council's Tendering and Contracts Regulations (TCRs) and the LBC Procurement Handbook;
- applies to all legally binding contracts except for employment contracts, Memorandums of Understanding (MoUs) and partnering agreements and collaborative contracts with other public bodies which may have local and bespoke arrangements in place.
- applies to all Council staff and contractors that are involved in the management of supplier contracts on behalf of Council.

## Roles and Responsibilities

The roles and responsibilities within contract management will vary depending on the tier of the contract. A detailed RACI and Roles and Responsibilities can be found in the Contract Management Framework.

## Contract Tiering

All contracts at LBC will be subject to tiering to ensure a proportionate risk-based approach to contract management. The Cabinet Office's Contract Tiering Tool is used to determine which contracts fall under these tiers. The Tool considers the value, the complexity, and the risks of the contract with regards to data handling and supplier failure, to determine a

classification. This will be conducted at the Pre-Procurement stage with reviews at Contract Award stage by the contracting service area and Strategic Procurement & Governance but may be subject to overrides where appropriate.

The classification determines the appropriate Resourcing, Governance and Reporting requirements of that contract, a summary table of which can be found in the Contract Management Framework. The descriptors of the tiering system can be found below:

Bronze	Silver	Gold	Platinum
<b>Contract scope, value and risk</b>			
<p><b>Low value, low risk</b> contracts.</p> <p>Usually <b>transactional</b> in nature (PO only), loss of service <b>easily</b> restored or replaced.</p> <p>While there may be <b>some</b> interruption in supply arising from failure it would have less or <b>minimal</b> impact.</p>	<p>Lower value and less strategically important in the <b>short-term</b> but often critical to manage due to one or more of the elements of value, risk or complexity.</p>	<p>Major contracts, <b>limited</b> alternative providers that <b>may</b> impact on performance.</p> <p>These contracts may be <b>long or medium term</b> and support the delivery of the Council's priorities or its operations.</p>	<p>Strategic contracts or relationships that are considered <b>high value and high risk</b>.</p> <p>These are likely to be <b>statutory</b> services but can also include contracts that are a <b>mix</b> of statutory and non-statutory compliance services.</p>
<b>Risk of non-performance or supplier failure and impact</b>			
<p>Risk of supplier failure low.</p> <p>Supplier or performance failure would have a <b>minimal to no</b> political, financial, operational or reputational impact.</p> <p>Non-performance would <b>not</b> impact residents / the</p>	<p><b>Lower</b> level of risk as there are opportunities for substitution or <b>easily</b> in-sourced.</p> <p>Non-performance may result in <b>some impact</b> on residents / the public / Council assets, with <b>some or little</b> market visibility.</p>	<p>Risk of non-performance may result in <b>medium to high impact</b> on residents / the public / Council assets.</p> <p>Non-performance would result in <b>breaches</b> of statutory duty or risk being non-compliant.</p>	<p>Risks associated are <b>high</b> impact on residents / the public / Council assets / Council services, with market visibility and/or <b>critical</b> effect.</p> <p>Non-performance would result in <b>breaches</b> of statutory duty or risk being non-compliant.</p> <p>Supplier or performance failure</p>

public / Council assets.	Some manageable operational impact on Council services. Supplier or performance failure would have a <b>some or minimal</b> political, financial, operational or reputational impact.	Supplier or performance failure would have a <b>moderate</b> and <b>possibly manageable</b> political, financial, operational or reputational impact.	would have <b>significant</b> political, financial, legal, operational, and/or reputational consequences.
<b>Complexity to re-procure/ step-in/ substitute supplier</b>			
<b>Low</b> level of risk as there are opportunities for substitution or easily <b>in-sourced</b> .  The supply base is <b>more competitive</b> and substitutions can be implemented with <b>less or no impact</b> on residents / the public / Council assets.	Low level of risk as there are opportunities for substitution or easily in-sourced.  Supply base <b>more competitive</b> but may be subject to market <b>instability</b> , requires support to ensure quality delivery.	<b>May</b> have a <b>lower</b> level of risk if there are opportunities for substitution or can be easily in-sourced.	Opportunity for substitution or in-sourcing would be <b>complex</b> and <b>difficult</b>
<b>Contract Management</b>			
A <b>light-touch</b> approach to contract monitoring, <b>automating</b> where possible.	<b>Regular</b> contract monitoring advised, reflective of the contract size/nature. Contract management may be done by a team or under a group of contracts.	<b>Regular</b> contract management <b>required</b> with a <b>dedicated</b> contract manager and <b>quarterly</b> corporate reporting.	<b>Consistent</b> contract management <b>is essential</b> . A <b>dedicated</b> contract manager ideally supported by a team, an <b>executive senior responsible owner</b> , <b>monthly</b> corporate reporting

Further details can be requested from: [procurement@croydon.gov.uk](mailto:procurement@croydon.gov.uk)