

Supplier Relationship Development

Implementation Toolkit
for the Public Sector

Cashable Savings and Quality
Improvements



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Foreword

As for all other readers of this Toolkit, my local authority in north London is facing real financial challenges and being forced to take some tough decisions that will affect local people and our own staff.

I have been aware for some time that we could do far more to remove cost from our third party procurement expenditure. My own authority is a keen participant in e-Auctions, and it was in an e-Auction back in 2007 that I saw Supplier Relationship Development (SRD) techniques being used to time the auction to coincide with the outbreak of a price war between two major providers. The results were stunning and the unit costs we achieved were far better than we alone or any of our outsource providers could achieve.

Following this success, I agreed to chair the London pilot SRD project. The learning curve has been steep and the project team has done well to capture and document the extensive knowledge gained which is documented in this SRD toolkit.

We are now starting to see results appearing in terms of reduced costs. London now has SRD projects running with suppliers in the waste management, adult social care, ICT and highways management categories, with many more to follow.

Many people talk and write about transformational procurement. In my experience, SRD is truly transformational in that it could eventually lead to a radical change in the way local authorities and other public bodies organise commission and buy their major items of expenditure and engage with large providers.

As the White Paper (see www.capitalambition.gov.uk/srdwhitepaper) is designed to make the intellectual case for SRD, this toolkit is designed to make it work. With your support - and some coordination between our local authorities - SRD has the potential to help remove significant amounts of cost in the medium and long term. We all know that the current financial climate will last at least five years if not more. SRD offers a new tool in our commercial armoury to cope with these major challenges, which I believe should be adopted now.

**Rob Leak**

Chief Executive – LB Enfield

Chair – Capital Ambition SRD Steering Group

PART ONE

1. Executive Summary

Supplier Relationship Development (SRD) is the process of finding savings, efficiencies and improvements on existing contracts for the mutual benefit of both strategic, key suppliers and customers.

The benefits of SRD are wide ranging. A selection of workstreams within the London SRD project has already identified initial potential savings in excess of £10m p.a. ongoing. However, this is only the start and is overshadowed by the enormous potential of applying SRD across the wider portfolio of contract relationships and categories. Capital Ambition¹ reported to its Charter Board on 19 October 2010 that potential savings of £125 million per year ongoing are achievable if common suppliers to London local government were managed in a consistent manner. SRD represents a powerful opportunity in realising such savings and is a logical extension to the renegotiation successes achieved by the Efficiency and Reform Group (ERG).

This toolkit details the process methodology developed by the Capital Ambition Supplier Relationship Development project. The toolkit has been published so that other public sector bodies may pursue similar projects and therefore achieve savings, efficiencies and improvements on their existing contracts. This toolkit should be read in conjunction with the SOLACE² White Paper entitled "Supplier Relationship Development in the UK Public Sector"³ and "You and Your Contractor"⁴.

SRD is best pursued collaboratively, on a multi-regional, regional or sub-regional basis, where customers of the same supplier can seek to reduce costs, identify best practice, streamline processes, and explore innovation. Collaboration brings increased influence to negotiations. SRD requires open, honest dialogue from all parties and to be open to the concept of continuous improvement and cost reduction. It is exploratory, and requires a high level of stakeholder commitment for its success. However, when run properly, SRD presents significant opportunities to achieve cashable savings and improvements in quality.

1 Capital Ambition is the Improvement and Efficiency Partnership (RIEP) for London, hosted by London Councils.
<http://www.londoncouncils.gov.uk/capitalambition/>

2 SOLACE is the Society of Local Authority Chief Executives. www.solace.org.uk

3 www.capitalambition.gov.uk/srdwhitepaper

4 www.capitalambition.gov.uk/srdbestpractice

2. Background and Introduction

This toolkit is a deliverable of the Capital Ambition Supplier Relationship Development project (SRD) hosted by the London Fire Brigade's Procurement Contracts Management Group. SRD was initially started as a Pathfinder project by reviewing one supplier from the waste sector and one from the social care sector, but has since expanded to include suppliers from the Highways and ICT sectors.

3. Use of this Toolkit

This toolkit contains step-by-step instructions and practical templates (see appendices). It has been designed to be used by contract managers, heads of service, heads of finance, procurement managers and project managers as a manual for running Supplier Relationship Development projects in the public sector to achieve savings, efficiencies and improvements on existing contracts. It can also be used by regional and sub-regional groups when deciding on a collaborative category management strategy for working with common suppliers. It is designed to be used flexibly, as there is no one-size-fits-all approach to SRD.

4. What is Supplier Relationship Development?

4.1 Definition

Supplier Relationship Development (SRD) is a proven technique which offers public sector bodies opportunities to reduce costs and improve the outputs and outcomes from their major third party spend contracts, as well as to develop markets for goods, works and services. There are varying definitions of SRD. For example, the former Office of Government Commerce defined it as:

“The process to reduce costs or improve service from an existing supplier - the term describes activity ranging from a quick price benchmark to a long term project to improve interaction between the buying and supplying organisation.”

The Capital Ambition SRD project defines it as:

“The process of finding savings, efficiencies and improvements on existing contracts for the mutual benefit of buyers (public sector bodies) and their suppliers.”

The common theme linking these definitions is the goal of reducing cost and improving the outputs and outcomes from public sector contracts.

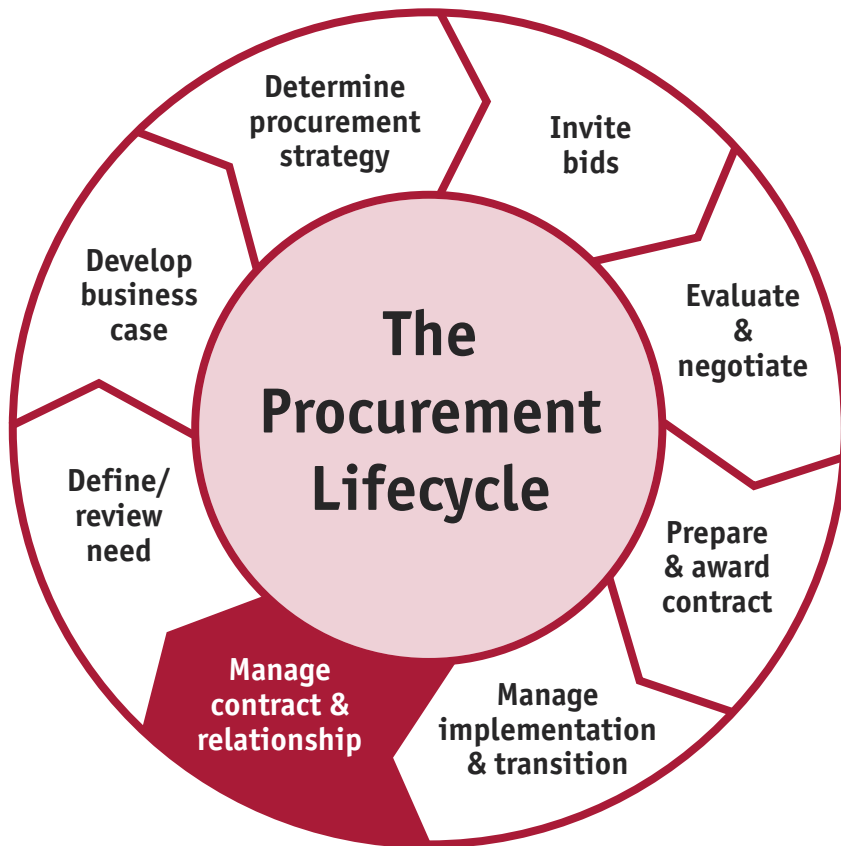
SRD is not simply a re-negotiation exercise; the difference is the collaborative approach that is adopted by:

- both suppliers and clients towards each other, and
- multiple client organisations sharing the same business objectives.

Effective SRD is usually achieved on a collaborative basis across multiple contracts. The benefits of collaboration cannot be underestimated, as they allow greater leverage to be applied to the entire business relationship environment. No two SRD projects will be the same. Some SRD projects will have a longer life depending on the potential benefits to be realised.

4.2 Where does SRD fit in the procurement lifecycle?

The procurement lifecycle details the standard 'journey' of the procurement of goods and services.

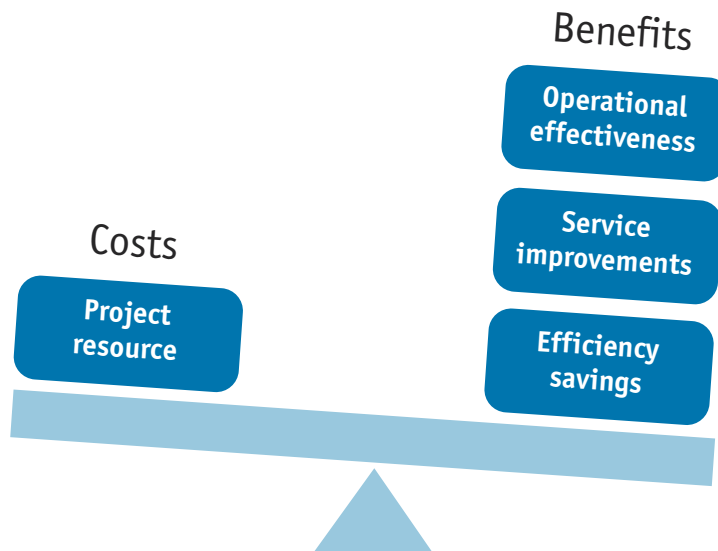


SRD should only be pursued post-contract award, so as not to interfere with the competitive procurement processes. However, it can be pursued during the following stages:

- Manage contract & relationship
- Define/review need
- Develop business case
- Determine procurement strategy

Contract and Relationship Management is the management of the interfaces between client and contractor to ensure that the contract performance is optimised to deliver best value.

4.3 Potential Benefits



The objective of a successful SRD project is to have greater benefits achieved than the inputs required. The inputs needed are discussed in section 5, but the benefits are wide-ranging and include:

- Reduced costs
- Cashable savings
- Improved quality and performance (e.g. service delivery)
- Cost avoidance
- Gainshare⁵
- Resource sharing
- Process (efficiency) savings
- Improved reporting and use of technology
- Improved communications and reputation
- Standardisation
- Capacity planning and utilisation
- Market development
- Development of “intelligent client”
- Sharing and developing best practice
- Better risk management and risk transfer
- Improved Sustainability and Corporate Social Responsibility
- Better Business Continuity Planning

Achieving such benefits is made possible by identifying and agreeing workstreams that will deliver them. The workstreams will range in difficulty and length of time to achieve them; each must be tested against the legal parameters outlined in section 9 of this toolkit. Other ideas for improvements and benefits, specific to each contract and supplier, may be identified via the Common Assessment Framework and/or Negotiation processes in section 6 of this toolkit.

⁵ Gainshare refers to a scheme which rewards both participants, in this case suppliers and public sector customers, for achieving mutual goals. One example would be agreeing to split cost savings above a particular level where both parties are tasked in making changes to achieve them.

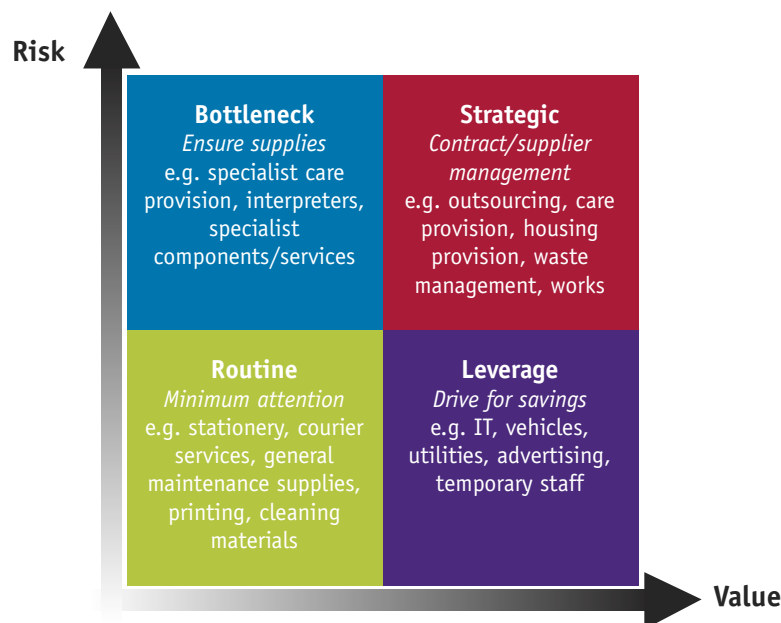
PART TWO: How to run an SRD Project

5. Pre-Project Planning and Approval: the Business Case to Run an SRD Project

It is important to have a clear mandate from senior management so that stakeholders are able to dedicate time and effort to the project. A business case will need to be written and approved by senior management such as a Director, Chief Executive, or politicians.

5.1 Choose a Supplier

The suppliers which have the most potential for a successful SRD project would be the ones most strategic to the public sector body. These are identified by mapping the procurement landscape using the Kraljic matrix below in accordance to risk and value.



Accurate information about the supply base and local authorities' relation to it are critical. For the Capital Ambition SRD project, the spend across London local authorities was mapped; of the £9billion annual spend, approximately 25% is with the top 100 suppliers. The top 100 suppliers are critical to service delivery in the 33 local authorities.

Ideally, suppliers chosen for SRD should be strategic to service delivery, have long-term, existing contracts, have publicly available information on them for research, not be in a retender situation, and not be subject to another SRD project (so as not to duplicate efforts). SRD should be pursued collaboratively, and the supplier should provide similar goods and services to all customers in the regional or sub-regional grouping.

5.2 Develop the Business Case

Obtaining approval for an SRD project will usually require that a business case is written. The business case will need to justify pursuing an SRD project with a particular supplier, whilst giving consideration to project inputs, risks and potential outputs and outcomes. The business case can be written without external support.

It is difficult to establish the exact level of benefits potential with each supplier project, as benefits cannot be calculated until workstreams are agreed. This may be a challenge to accept as most business cases operate on a clear cost/benefit analysis.

5.3 Acquire Senior Level Support

Embarking on an SRD project requires senior level support from both the supplier and their public sector clients. The Capital Ambition project, for example, wrote to all 33 London local authority chief executives to obtain support for the pilot. Pitching the benefits of SRD to the supplier is also necessary. This needs to be done at a level senior enough to understand the benefits and to be in a position to deploy the necessary resources. SRD should not be perceived as a threat to their business, but rather as a way to reduce costs, reduce bureaucracy, and open dialogue towards innovation.

Senior level support is crucial for buy-in throughout the project. Senior management will need to oversee the work of the Project Manager. It may be helpful to use PRINCE2⁶ methodology in defining and managing the project, given the need to work with many stakeholders, ensure that milestones are achieved in a timely fashion, and limit scope creep.

5.4 Project Management Support

A project manager is needed to co-ordinate and facilitate both the supplier and their collaborating public sector customers. Good project management support will ensure that the SRD project is running according to plan. The role of the project manager is to:

- Co-ordinate and facilitate both sides (supplier and public sector bodies)
- Track progress
- Capture Benefits
- Communications and Stakeholder Management

It is imperative that the work of the Project Manager is overseen by a Project Board and/or Senior Management. In the Capital Ambition model, this work is overseen by a Project Board and Project Sponsor.

5.5 Budget and Timescales

Each SRD Project will be different in the budget and timescales necessary to effect change. However, it is helpful to identify and document the following:

- Contract Spend

What is the aggregated contract spend of the SRD participants with the supplier?

- Number of Contracts

How many contracts are held by the SRD participants with the supplier?

- Number of Stakeholders

How many stakeholders are involved with each contract? The Capital Ambition SRD project worked with some suppliers where there was only one stakeholder per local authority customer; others, particularly ones that supplied many areas of the council, had up to six. There will be a greater need for communications and project management with a larger number of stakeholders.

- Length of Contracts

How much longer do the existing contracts have to run? If the re-tender process is being planned or in progress, either do not pursue SRD with that supplier or exclude both the supplier and the client department from that particular phase of the SRD project. [This is due to the special relationship issue as described in section 9.3.]

⁶ PRINCE2 is a project management method ["PProjects in Controlled Environments"] published by the Office of Government Commerce, now part of the Efficiency and Reform Group of the Cabinet Office. http://www.ogc.gov.uk/methods_prince_2.asp

Knowing these will give a better picture of the project management resources needed to devote to an SRD project and should be included in the business case requesting approval to proceed.

5.6 Legal Support

It is advisable to notify your legal department of the intention to run an SRD project before commencement, and to facilitate their engagement throughout the process. Legal support will be required throughout the project, and advice can be given to address both the special relationship issue and the contract variation issue (see section 9) as applicable to the project.

5.7 Risks

All projects have risks inherent. The most critical risk for an SRD project is lack of engagement. There may also be misconceptions and ignorance of the potential of an SRD project and also what can and cannot be done legally given the Public Contract Regulations. Another risk could be a lack of innovation, which may reduce potential benefits by stifling creative solutions.

A full risk register for the Capital Ambition SRD project is available at Appendix 1, and generic legal guidance applicable to any SRD project is contained in section 9.

6. Running an SRD Project

With the project given approval to proceed from senior management, attention can be turned to running the project. The project manager should coordinate the next phases.

6.1 Initial Workshops: Introduce SRD as a Concept and Process

Many officers within the UK public sector are new to SRD as a technique, and before now there has been no structured, published guidance as to how (i.e. the process) to achieve savings, efficiencies and improvements on existing contracts for the mutual benefit of supplier and customer. Initial workshops for both the supplier and the customer help to introduce the concept and the accompanying process, identify possible benefits and negotiation areas, and launch the project.

6.2 Information Gathering

The early stages of an SRD project require much information gathering which will provide the basis for identifying the opportunities and providing the negotiation team with focused and pertinent information. Ultimately, the intention is to optimise the collaborative discussions and negotiations with the supplier to achieve the required savings and improvements.

6.2.1 Identify Existing Contracts

Gather information on the existing contracts in place for the public sector bodies participating in the SRD project. It is worth noting that some contracts may not be in the supplier's name where acquisitions have been made; there may also be subsidiary companies. All will need to be identified to compile an overall picture. This can be organised in a spreadsheet with the following column headings:

Public Sector Body	The name of the public sector body participating in the project
Contract Name	The name of the contract (as per the public sector body)
Contract Type	The type of goods and/or services delivered under the contract (Home care versus care homes? Waste collection or grounds maintenance? Etc.)
Value (per annum)	The value per annum of the contract spend at that public sector body
Start Date	The contract start date
Expiration Date	The date the contract is expected to expire, without extensions
Extension?	Whether a contract extension is included in the contract documents, and the period it could cover.
Public Sector Body Contract Manager	Contact details of the person who manages the contract on a day-to-day basis for the public sector body
Supplier Contract Manager	Contact details of the person who manages the contract on a day-to-day basis for the supplier

6.2.2 Supplier Intelligence (including 'Information Arbitrage')

Knowing who their suppliers are, what their corporate strategy is, and what pressures they face allows public sector bodies to relate to their suppliers in a more meaningful way and puts public sector bodies in a better negotiation position. It is important that this intelligence is not just a statement on financial viability. What is needed is a holistic approach, that looks at corporate ownership, corporate strategy, recent financial performance (both financial stability and viability as well as growth and margin), and a note on the customers and competitors in the industry.

This information can be compiled internally or via securing the services of an external analyst.

6.2.2.1 Ownership

Understanding the ownership status and structure of the supplier helps to understand the way it is run and its prospects for the future. Is the company family owned and run? Is it a partnership? Is it a publicly listed company? Or, as is common in sectors like social care, is it controlled by a private equity firm? (It is noteworthy that different ownership groups display different behaviours.) What are the incentives for the current owners (and most senior managers)? Business ownership has a huge impact on business priorities over different time horizons, and consideration should be given as to how these could impact contractual relationships throughout the contract period. How long is the current ownership structure likely to continue, and what will take its place?

6.2.2.2 Corporate Strategy

Understanding the corporate strategy (i.e. the direction the owners and managers wish the company to take) is crucial for customers. For example, it is essential to know the short and medium term aims such as overhead cost reduction, margin maximisation or expansion of business volume. Such drivers are significantly informative to the negotiation process stage. What is the company's stated current objectives, and how are these measured? How is the supplier planning to grow its business: by acquisition, or organically? What lines of business does it wish to expand and invest in? Which lines of business are non-core, and at risk of winding down or disposal, possibly to a competitor?

6.2.2.3 Recent Financial Performance

Analyzing the financial performance of the supplier is obviously useful, although not as all-important as often thought. Even the most recent profit and loss account is an historic record that can refer to transactions up to two years in the past; and the past is not necessarily a good indicator of the future, particularly if there's been a change of ownership, management or significant economic or market shifts. But financial statements and other Companies House filings can provide some useful information: particularly, in helping to answer the question of how reliant the supplier (or division) has been on public sector business. Margin information, and the commentary invariably provided on this in accounts and investor presentations, is also very useful background. It is important to see how indebted the company is, and how comfortably it is managing to service those debts. If a financial rating from an agency has changed, find out why. Don't forget to consider examining the accounts and credit histories of parent companies to get a true picture of the financial health of the supplier.

6.2.2.4 Customers and Competitors

No supplier is an island. To understand better how a supplier thinks, and put the rest of the information gathered into context, put yourself in the supplier's shoes. What pressures and threats do they face from competitors? Who are their own suppliers, and what is happening to them? What opportunities do suppliers see, perhaps in overseas markets, or new markets created by technological, policy or regulatory changes, or by demographic shifts?

6.2.2.5 "Information Arbitrage"

One of the most important tactics in gathering and analyzing knowledge about suppliers is "information arbitrage." This simply means gaining valuable insight by looking at a wide range of information sources and then identifying differences in what suppliers say to various different stakeholders. For example, what a company might say to its overseas financial investors could be compared to what it is saying to the European Competition Commission or to its employees and unions. SRD teams who have used this approach have discovered that they are sometimes better informed about a supplier's strategic challenges than the senior managers with whom they are negotiating, which puts them in an incredibly strong position.

Case study Computer Manufacturer and Information Arbitrage

A global computer manufacturer initially declined to join an e-Auction programme on the basis that their public sector margins were "low enough" already. Using information Arbitrage techniques it was shown that the same global computer manufacturer was telling its investor community that UK public sector margins were very high and enough to fund expansion into other global markets.

The information allowed the project team to re-engage with the computer manufacturer and persuade them to join the e-Auction programme. As a result, competition was increased and the public sector saved 35% on benchmark prices.

6.2.3 Capturing Contract Managers' Perspective: Contract Health and Wish Lists of Improvements

Critical to the SRD process is capturing the contract managers' perspective on the state of the contractual relationship, and what they would like to see improved. This can be done by individual meetings and by the Common Assessment Framework process.

6.2.3.1 Meetings

One-to-one meetings with the project manager and each collaborating public sector body should be held to determine the state of the contractual relationship. These meetings have a two-fold purpose: one, to inform the project team about the relationship and service delivery as perceived by the customer, and two, to build confidence with the customer that the project team is willing to represent their concerns.

6.2.3.2 Common Assessment Framework (see Appendixes 2 and 3)

The one-to-one meetings and workshops should identify a number of issues with service delivery with the contractor as well as potential areas for improvements and cost reductions. These can be formulated into questions, so that issues identified by one local authority can be checked for recurrence within others. This is referred to as the Common Assessment Framework⁷. Quantitative and qualitative metrics can be applied. Questions cover areas such as:

- day-to-day problem solving
- collaboration and partnership working
- quality of service
- value for money
- operational management
- long term flexibility.

Within the Common Assessment Frameworks run by the Capital Ambition Supplier Relationship Development project, valuable comments and insights into company behaviour have been gleaned. One respondent noted “Company X agrees changes to the contract but then forgets to bill for them.” These messages are very important feedback that can be made anonymous and given to the supplier’s senior management as both a state of the relationship on that date as well as showing opportunities for improvement and efficiencies. Another supplier expressed gratitude for showing how their business, which had been structured in silos according to speciality, was impacting on their customer perception; and they restructured as a result to become more client-focused.

It is strongly encouraged that the contractors run a “reverse” CAF process on the behaviour of its public sector customers as that, too, can be enlightening. One comment by a participating supplier has noted, for example, that their London local authority customers face challenges in managing their councillors’ expectations, which shed light on practices that inadvertently created an “us versus them” environment, and given the ability to address them.

Example CAF questions for public sector customers and “Reverse” CAF questions for suppliers are contained within Appendixes 2 and 3, respectively.

6.3 Approaching the Supplier

Effective SRD requires the ongoing commitment of the supplier to continuous improvement. As such it is necessary to approach the Senior Management Team of the supplier with the project outline and anticipated outcomes. The supplier will need to agree to work together to find savings, efficiencies and improvements on existing contracts for mutual benefit.

This will require a certain level of input from the supplier. The supplier will need to run a “reverse” Common Assessment Framework process (see section 6.2.3.2), appoint a Negotiation Team, and suggest ideas for workstreams.

One issue that may also be encountered is agreements for Confidentiality and Commercial Sensitivity. This needs to be weighed against the need to publish workstreams to address the special relationship issue and to comply with requests under the Freedom of Information Act. Legal advice specific to the project should be obtained on a workstream-by-workstream basis.

The project participants for both the supplier and public sector customers may need an agreement for participation in a Terms of Reference document. A Press and PR Protocol may also be helpful to agree joint communications issues such as press releases. An example Terms of Reference document is included in this toolkit at Appendix 6, and a Press and PR Protocol is included at Appendix 7.

⁷ The Common Assessment Framework is not to be confused with the Common Assessment Framework in use within Social Services teams.

6.4 Negotiating Workstreams to Achieve Benefits

Planned negotiation with a supplier requires the development of a negotiation team and joint strategy, supported by a managed process for workstream delivery.

6.4.1 Appoint Negotiation Team

When the issues, CAF scoring and supplier intelligence have all been completed, the project team can then identify who is best suited to serve on the negotiation team on behalf of the regional or sub-regional collaboration. The individuals who join the team should have a variety of strengths and skill sets, and consideration should be given to the roles played on the team. Negotiation team members should:

- Have operational knowledge of the contract
- Be innovative
- Have a “can do” mindset
- Be positive, articulate and patient
- Have open, honest dialogue
- Be open to continuous improvement
- Have good listening skills

Roles within the team include a team leader, negotiators, and a recorder. A team should not be too large in size that it becomes unmanageable.

Meetings should be scheduled with the supplier’s negotiation team, who should also be invited to bring their issues to the table.

6.4.2 Create a Joint SRD Strategy

A strategy document, live to the project, should be developed to plan the negotiation. An example template is provided in Appendix 5. It should comprise the following:

Part 1: Purpose and Objectives

The purpose of the SRD project with the chosen supplier and the objective to find savings, improvements and efficiencies on the existing contracts.

Part 2: Contractor in the Marketplace

The analyst information gleaned, noting the particular relevance of the value of the public sector business to the supplier and strengths, weaknesses, opportunities and threats (SWOT analysis).

Part 3: Contractor Engagement Plan

This should include how the Negotiation Team plans to negotiate; which workstreams would be classed as priorities, and who would lead on the negotiation for them.

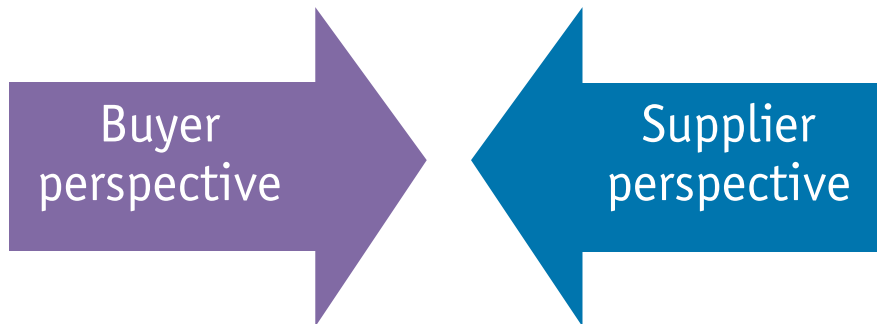
Part 4: Sectoral Risk Register

The risks and issues facing the sector and the supplier.

6.4.3 Negotiation: Agreeing Workstreams

The two Negotiation Teams should meet with their wish lists of improvements and opportunities for further development of savings and efficiencies. The goal is to agree workstreams that will deliver mutual benefits, e.g. which will create a win-win situation for both the supplier and their public sector customers. Formal training in negotiation is not necessary but may be helpful; there is a lot of information available on the internet for negotiation strategies and tactics, as well as how to deal with objections. It is important to note that each supplier is different and what works with one supplier may not work with another.

It is also important to jointly agree what a successful implementation would look like. The Capital Ambition SRD project found that since the project team was not in a legal position to amend contracts directly, business cases were written for each workstream which allowed local authorities to take advantage of the opportunities. However, where contracting parties are leading the SRD workstreams, a better approach might be to agree a memorandum of understanding which all parties sign off as the implementation plan – this would include a timeline of all guaranteed savings and improvements and a list of potential ones that require further work.



Finding Workstreams: Ideas to Start

It may seem daunting to begin to find workstreams that will deliver savings, efficiencies and improvements on existing contracts. While every contract is different, the areas below may prove worthy of further investigation. As always, confirm with your legal team as to suitability to a specific contract.

Service Delivery

- Standardisation of specifications
- De-scoping specifications
- Reducing lifecycle maintenance
- Cross-contract rationalisation
- Extending asset life
- Increasing scope without charging
- Co-location of contract management teams
- Business Continuity Planning

Process Efficiencies

- Analysing processes that continually fail or get blocked
- Workload planning
- Removing Duplicity
- Cost-down analysis
- Improving supply chain efficiency
- Use data management to reduce unfair wear and tear costs

Employees and Training

- Multi-skilling staff
- Reducing sickness
- Reducing use of agency staff
- Sharing management expertise

Overheads

- Energy management systems
- Reducing/alternating cleaning frequency
- Estate maximisation
- Pooling resources
- Consolidation of estates

Reporting

- Data Capture and Reporting
- Reducing inspection frequency
- Standardising KPIs
- Benchmarking

Billing

- Rate card normalisation
- Refinancing options
- Billing Inefficiencies
- Removing risk pricing through optimising indexation formulas

ICT

- Use of video and teleconferencing
- Use of internal telephone lines
- Cloud computing
- VoIP

Income opportunities

- Sponsorship
- Third party income

6.4.5 Implementation

Once the workstreams are developed and agreed, they will need to be implemented. Responsibility for leading a workstream should rest on whichever side the bulk of the work is to be done.

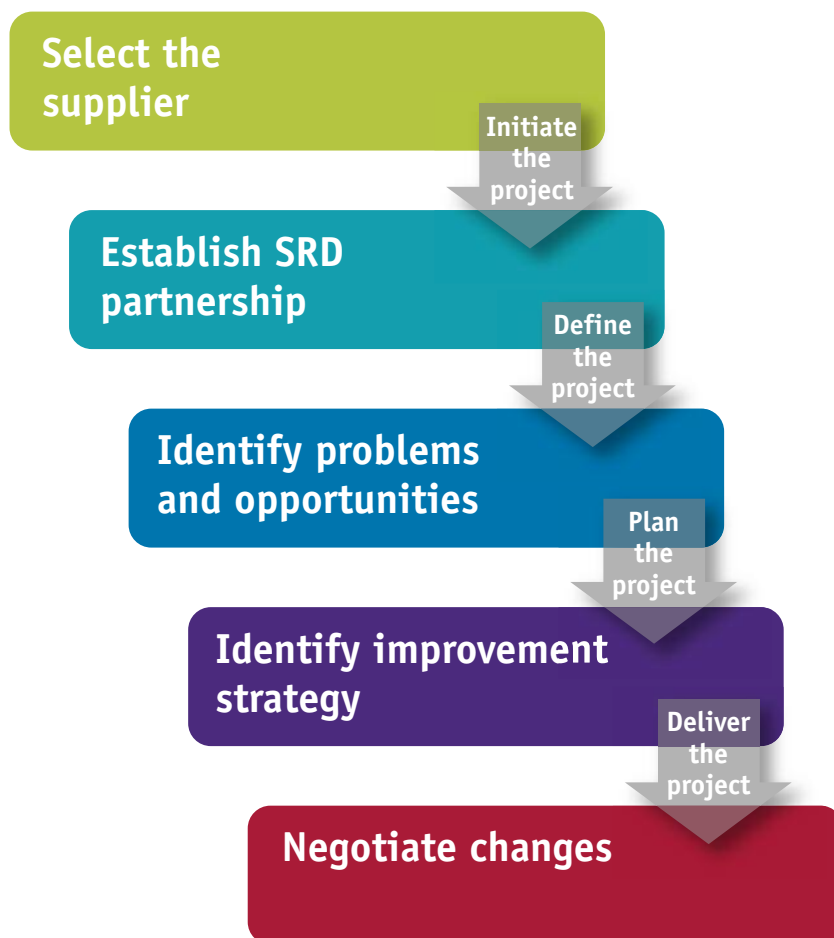
All workstreams should be mapped out onto a template, which will become a live document throughout the project. The template in Appendix 4 notes each workstream, a description, how it will be achieved, how success will be measured, an expected timetable, difficulty, and priority level. Each workstream should have an associated benefits methodology, so that savings, improvements and efficiencies can be quantified where possible. Other things to consider must be people implications, infrastructure and environmental impact.

6.5 Benefits Capture and Realisation

Capturing the benefits and outcomes can be done within the Negotiation Template [Appendix 4]. It may be difficult to put a financial benefit on some of the workstreams; however, it helps with project credibility if benefits are able to be expressed in financial terms. Workstreams that provide cashable savings should be considered as priorities.

A 'Lessons learned' report at the end of the project may assist in disseminating information to future projects about what worked well and what did not.

6.6 Process Map



6.7 Communications Plan

Throughout the project, a robust communications plan is necessary to ensure that all stakeholders are informed as necessary. Without it, there is a risk of reduced buy-in. Once workstreams are up and running, they can be publicised, which has two benefits: one, as a “good news” story, and two, in alerting others in the supplier industry of the work, it may ease any potential concerns about transparency of the process.

An example stakeholder map and communications plan is included at Appendix 8.

6.8 Critical Success Factors: Top 10 Dos and Don'ts to Achieve Success

Dos

- **secure top management support** and involvement (client and contractor organisations)
- **use the SRD toolkit** to help get your public sector body moving quickly and save you time and money
- **read the legal guidance** provided in the Toolkit and ensure that your own legal advisors work as a team from the outset
- make sure that your own public sector body is already taking part in **cost-saving procurement practices** such as e-Auctions, demand management, and shared contracts before attempting to embrace SRD
- look **beyond your own sector** (e.g. local government) for SRD partners
- make sure the appropriate **decision making structure** is in place to collect and distribute agreed cashable savings where multiple authorities are involved

Don'ts

- do not believe that your contract is the best or most efficient it can be; there is always room for improvement
- do not choose contracts in which you have little leverage or potential to influence
- do not try to short cut the supplier and market intelligence research by using generic automated reports; supplier intelligence is about analysing your own situation and relationship with the provider
- do not expect every engagement to deliver cashable savings – if failure happens, just cut your losses as early as possible

PART THREE

7. Why the Public Sector Should Use SRD as a Technique

There are many reasons why the public sector should adopt SRD as a strategy for achieving savings, efficiencies and improvements on existing contracts.

Typically, cost can account for approximately 90 percent of any contract value and is introduced from the outset by both suppliers and clients. There are many factors that can add cost to contracts. Here are a few examples:

- Obsolete or prescriptive specifications.
- Market conditioning by suppliers.
- Deviation from commonly used standards and designs in the areas of payment and performance regimes, reporting and liaison mechanisms, terms and conditions of the contracts, invoice processing and also the specification.
- Misunderstandings due to poor communication between various parties.
- Poor internal stakeholder communication, for example, different messages/priorities being sent to the supplier.
- Changes made to requirements after the contract is awarded
- Poor pricing procedures and/or cost control by suppliers.
- Duplication of effort by local authorities, such as multiple authorities engaged with the same care homes.

SRD is usually practised with suppliers that trade with multiple organisations and where there is a high value spend and/or where there is a strategic remit, such as ensuring business continuity or improving service levels.

SRD leverages influence by bringing together customers of the same supplier and, when combined with ideas, leads to improvements.

7.1 Service and Performance Improvements

Service and performance improvements can be achieved for both public sector bodies and their suppliers. The contracts that tend to be the most high value and strategic to the council are also often long-term. SRD allows for a structured, managed process to finding savings, efficiencies and improvements without having to retender. The range of opportunities to improve existing contracts during the life of the contract is vast.

7.2 Protect public sector interests in the supply chain

One of the benefits of SRD is to improve the resilience in the supply chain. From experience, business continuity management usually appears as an issue within the SRD process. It is not uncommon for public sector bodies to have checked the financial status of a supplier at the beginning of a contract to see whether it would be in a position capable of delivering the goods and services going forward. However, that onetime financial check is usually done at a single point in time, and shows historical information – not current information, and certainly not from the viewpoint of forward growth and expansion.

Company ownership also may impact resilience in the supply chain. For example, a private equity firm may take over a company with a view to growing it and selling it on within a specific timeframe. Some private equity firms use takeovers as a means of mining their revenue streams. This can affect service delivery and increase tensions. As some companies keep their trading names after being acquired, it can be difficult to point to the change in ownership as a cause of service delivery changes.

The current economic climate dictates that a more robust method of evaluating suppliers is necessary. It is important to identify those suppliers who are at risk of insolvency and to develop plans to mitigate those effects. Business continuity planning should take such risks into account. In 2010 alone major suppliers to local authorities such as Connaught and Rok went into administration, forcing business continuity plans to be activated.

SRD requires that accurate information on suppliers be obtained, so that public sector bodies heading into negotiations are informed of their position. Further details on the type of checks and information collected about suppliers can be found in section 6.2.2 of this toolkit.

7.3 Market shaping

Many of the processes within SRD produce market shaping and market development. By bringing together the public sector customers of a particular supplier, best practice can be determined and spread across a region. An example of this is the award-winning Capital Ambition “Partnerships in Parking” project, which harmonised parking equipment, services, controls and practices so that there was a more consistent customer experience both within areas covered by individual authorities, and across boundaries with others.

7.4 Efficiency gains

Efficiency gains can also be found by examining process inefficiencies and finding different ways around them, or eliminating them altogether. Process inefficiencies may be on either the customer side or the supplier side, or both. Surprisingly, billing was oft-cited as an area where improvements could be made – in some cases, suppliers were still sending invoices for small amounts rather than aggregating billing.

Case study Joint Monitoring

In a Negotiation Team meeting for a Social Care provider, it was discovered that there was some duplication in the monitoring procedures of care homes. The Care Quality Commission ratings system was considered by many local authorities to be insufficient for their needs; homes with the highest ratings by CQC would often go for years in between inspections. As local authorities have a duty to clients in care, monitoring teams would be sent to monitor both the state of the care home and the client themselves. Some care homes, however, have clients from multiple local authorities in them, thus requiring multiple monitoring efforts by several local authority teams. A joint agreement, sharing the results of the monitoring visits on the state of the care home from the host local authority, can reduce effort by the local authority team and for the care home managers.

7.5 Cost avoidance

Learning from others’ experiences allows public sector bodies to avoid costly forays. By opening dialogue with suppliers in an SRD context, suppliers are able to share their experiences with other customers, even in other regions, who have addressed problems and found the solutions that did work, and also those that did not.

Case study Identifying Best Practice

On one Negotiation Team, the participants from four different local authorities discovered they had four completely different methodologies and practices for food recycling operations. None of the participants, however, knew which method was best; all of their original contracts were prescriptive in design. By working with their supplier, they were able to open dialogue to determine what did constitute best practice and look towards sharing that best practice for the future, thus avoiding costly “experiments.”

7.6 Knowledge and Information Sharing

Finding the 'best' specification for a particular good or service is a task that is best undertaken collaboratively across a number of public bodies, and also in conjunction with suppliers. What is considered best practice by one public sector body may not be by another, and as time goes on, there will likely be advancements, for example, in technology, to consider.

It is a mistake, therefore, to assume that one already has the best specification possible. By opening dialogue with the supplier and other customers of the supplier, best practice can be determined and then shared across regions, sub regions, and indeed, to other suppliers and customers in the industry.

Case study When "Different" Costs Money

The Capital Ambition SRD project, by working with suppliers, found some examples where specifying materials that were different to other local authority requirements incurred significant costs to the Highways department. One local authority in outer London decided to have a different bollard style to other London local authorities. Another in inner London authority had a different flagstone for pavements as councillors wanted to have a "boulevard" look to the borough. Both options required specialist sourcing by the suppliers, which incurred additional cost to the overall servicing of the contract. This, in turn, reduced the potential for aggregation of spend in sourcing materials.

7.7 Risk Management

Both transferred and emerging risks are components of most contractual relationships. SRD offers the opportunity to identify and manage sector and regionally based risks in consort with other clients.

7.8 Develop a Strategic Commercial Approach

The most strategic, critical contracts held by public sector bodies are not often managed by corporate procurement teams, but, rather, by the service areas that use them. This may mean that whilst service area staff have expertise in service delivery, they may not have ever been given commercial training to know how to manage or negotiate contracts to ensure best value on an ongoing basis. This can frustrate suppliers who expect their clients to understand margins, investor demands and the more commercial aspects of the business environment.

SRD provides an opportunity for those staff to be up-skilled to better understand the pressures their suppliers are under as well as find opportunities where pressure can be applied to make savings, improvements, and efficiencies jointly⁸.

⁸ The You and Your Contractor guide to Contract and Relationship Management is also available to assist in upskilling staff in this area. See: www.capitalambition.gov.uk/srdbestpractice .

8 Why Suppliers Should Work with their Public Sector Clients in SRD Projects

The benefits for suppliers to work with their public sector clients are varied and include the opportunities below.

Collaboration with a body representing all public sector customers in a region or sub-region means fewer meetings and opportunities to achieve more via a better co-ordinated effort. Collaboration on this basis can open up opportunities for the standardisation of goods and services.

8.1 Reduce Cost Bases

By opening dialogue with public sector customers, inefficiencies in the supply chain can be identified. Often, inefficient practices go on unchallenged for historical reasons (“we’ve always done it this way”). The benefits of reducing cost can be shared by agreement with public sector customers.

Case study Bulk Bins

Paladin Bins are used as waste receptacles in many high-rise, multi occupancy buildings. Due to their shape and potential to become unwieldy, they require a special clamp to be added to a waste collection vehicle. The unwieldy design also presents a health and safety risk.

Replacing the bins means that:

- Routing of the vehicles can be made more efficient as the fleet does not need to be mixed to accommodate the Paladin collections.
- There are reduced costs for fuel, maintenance, and the even the additional crew costs associated with re-routing.
- There is a reduction in CO2 emissions.
- There are fewer health and safety incidents as replacement bins are safer, and therefore accident related costs are reduced.

8.2 Develop Commercial Fitness

SRD provides an opportunity for suppliers to sharpen their negotiation skills internally and streamline operations. Eliminating inefficiencies allows the supplier to become a leaner organisation, which should aid in delivering their corporate strategic goals.

8.3 Strengthen Existing Relationships

SRD also provides an opportunity to strengthen the existing relationships with their public sector clients. One ICT supplier remarked that they didn’t feel that they were recognised and treated as a strategic supplier to London local authorities until the Capital Ambition SRD project pooled resources to review contracts across the region. Involving senior level support allows suppliers access to higher levels of management within the public sector to discuss the contract and the relationship, and potentially move towards more of a partnering approach.

8.4 New Dialogue with Clients

SRD provides an opportunity for suppliers to open a new dialogue with their public sector clients towards efficiency and savings. Some suppliers may have been reluctant to point out deficiencies and inefficiencies in their existing contracts for fear of offending the client. SRD, when done in a constructive, managed environment with negotiators open to change, allows such discussions to take place and a plan put in place to challenge existing practices.

8.5 Improve Infrastructure and Process

Suppliers can use the opportunity of an SRD project to improve infrastructure and process across a region or sub-region. Suppliers in Highways identified which local authorities had selected elements of best practice and which did not, which allowed dialogue to be opened towards standardisation.

8.6 Deliver Best Value Services

By removing inefficiencies and being open to innovation, suppliers can deliver best value services for the public sector. Suppliers may become leaner and more efficient. Press releases can be published outlining the changes made and the benefits delivered, which can improve a supplier's market reputation as a reference player.

8.7 Develop Client Facing Strengths

Mirroring the opportunity for public sector bodies to improve their commercial approach, suppliers participating in an SRD project have the opportunity to develop their client facing strengths. SRD provides an insight for suppliers into how public sector bodies work, and client management can be improved as a result.

PART FOUR

9. Legal Issues to Consider

9.1 Disclaimer

This section has been prepared in order to help authorities be aware of the legal issues that may arise when undertaking SRD. This toolkit does not purport to be comprehensive nor should it be relied on as providing legal advice. Any authority or body using this toolkit should take its own legal advice in the light of its own circumstances and procurements.

9.2 What are the legal issues associated with SRD in the Public Sector?

SRD involves public sector bodies engaging with existing suppliers in order to find ways of delivering goods and services more efficiently and effectively. Any improvements that are identified will often need to be implemented through changes to existing contracts and/or revised specifications when a contract is re-competed. Whilst such activities may produce positive benefits for both authorities and suppliers in relation to the immediate contract(s) being subjected to SRD tools and techniques, it is important that authorities do not, inadvertently or otherwise, use SRD in a way that creates barriers to competition from other suppliers.

All local authorities and most other public bodies are “contracting authorities” for the purposes of the Public Contracts Regulations 2006 (as amended) (“the Regulations”). They are additionally subject to the overriding principles of the EU Treaties of non-discrimination, equal treatment, objectivity and transparency (“the Treaty Principles”). Together the Regulations and the Treaty Principles, as interpreted by UK and European Courts, are referred to in this paper as the “public procurement rules.”

The overriding principle of the public procurement rules is equal treatment: suppliers and potential suppliers⁹ must be treated alike, without favouritism. Where an authority engages with an existing supplier or a pool of known suppliers that the authority has unilaterally selected with a view to developing ways of improving the way that services are delivered, the risk of favouritism might emerge in a number ways. For example:

- Suppliers might acquire an insight into the authority’s requirements and way of working that gives them an advantage in future competitive tenders
- The authority might acquire a special understanding of the suppliers’ products and services, as well as close professional relationships, which might lead to tacitly favouring those suppliers in a future competitive tenders
- Improvements developed with existing suppliers might lead to specifications being developed in future competitive tenders that it is hard, whether as a result of intellectual property rights or otherwise, for competitors to meet
- The authority might be inclined to take prior involvement in SRD into account in future competitive tenders thus entrenching the position of existing suppliers

The issue of favouritism is referred to in this paper as the **special relationship issue**.

The other main legal issue arising from the public procurement rules is the contract variation issue. Besides the overriding imperative of the Treaty Principles, the Regulations provide that, other than in exceptional circumstances, above-the-threshold public contracts must be advertised and competed. From that rule derives the requirement that, if the parties want to change the terms of the contract to such an extent that it is in effect a different contract, it must be treated as such: the changed contract must be advertised and competed.

⁹ The term “suppliers” is used in this toolkit to refer to all providers of goods, works or services. It is used synonymously with the term “economic operators” that is used in the Public Contracts Regulations 2006 to denote the whole range of entities to whom duties are owed under the legislation. It includes “contractors,” who carry out works, “suppliers,” who supply goods, and “service providers,” who provide services, each of these being a defined term.

9.3 The special relationship issue – guidance on risk mitigation

The extent to which the special relationship issue arises will be a matter of fact and degree in each case. There are a number of steps that an authority might take to reduce or minimise the risk of the special relationship issue giving rise to a legal challenge. These are set out in this section.

It should be emphasised that no representation is given or should be relied on that following the steps set out below will wholly remove the risk of challenge on the basis of unequal treatment. A disappointed supplier might still assert that, no matter how closely the steps set out below are followed, the reality is that suppliers who have previously been involved in SRD with the procuring authority may have gained special insight into the requirements of the authority and may have had the opportunity to develop relationships with them which simply cannot be reproduced. Authorities will need to take their own view of the risks arising in their particular circumstances in the light of the guidance in this paper.

9.3.1 Publicity

Advertising the use of the SRD Toolkit to the market and inviting participation by existing and potential suppliers is a useful way to reduce or minimise the special relationship issue. Whilst authorities will need to take their own view in the light of their particular contracts and supplier base, in general it can be said that the more open and transparent an authority is about the use of SRD the less likely it is that the special relationship issue will arise. Publicity should involve both an announcement inviting suppliers to participate in SRD generally and, at the more detailed level, announcements as to individual workstreams once they are identified.

The form that such publicity might take could include some or all of:

- One or more announcements on the authority's website
- Press releases in trade press
- An advertisement in the Official Journal of the European Union (note: whilst normally used for advertising contracts or forthcoming contracts, an OJEU notice could be used on a non-mandatory basis to advertise an authority's wish to engage with the market more generally)
- Preparation of a document explaining the approach and objectives of SRD in the particular context of the authority and the categories of suppliers in relation to whom it intends to use SRD
- An open invitation to existing and potential suppliers to a presentation where they could learn about SRD as it has operated to date and as it is planned for the future by the authority
- Face-to-face meeting with interested suppliers

Where an authority decides to use SRD tools in relation to a particular category of goods or service, there should in general be no restriction placed in the way of any supplier of that category of goods or services that wishes to become involved in SRD both in relation to the implementation of the tools and techniques in the contracts that it is performing and in relation to the development of the SRD tools. Whilst SRD is likely to be of direct relevance to existing suppliers to the authority, it will be important, because of the special relationship issue, to ensure that other suppliers, who are not currently engaged by the authority but who might wish to bid for contracts in the future, are aware of the workstreams being developed and how they might affect future procurements. To the extent practicable, such potential suppliers should have the opportunity if they so wish to contribute to the development of those workstreams.

9.3.2 Conduct of future competitions

The second element in addressing the special relationship issue concerns the way in which future competitions are conducted. Where an authority requires SRD to form a significant element in their relations with suppliers in future contracts, it should ensure, in connection with the next generation of competitions, that so far as is possible previous involvement in SRD is not considered either as part of any "track record" requirement or assessment at either selection or award stage: no questions in the PQQ and no points awarded in the tender. That does not mean that a commitment to SRD should not or could not form a part of future contracts; it only

prevents or restricts authorities from using previous experience of SRD (with the London authorities or with any other authority) as an element in tender assessment.

However, where in the context of a particular procurement, an authority considers that a criterion such as “collaboration” or “partnering” is commercially desirable and relevant to the subject matter of the procurement, it may be legitimate to take account of suppliers’ previous involvement in SRD as evidence of such collaboration or partnering provided that:

- the authority in question does not require bidders to show evidence of involvement in SRD to demonstrate “collaboration” or partnering,”
- no favourable treatment is given to evidence of SRD involvement over and above any equally meritorious kind of collaborative behaviour in scoring bidders’ responses to such a criterion, and
- the authority is satisfied that involvement in SRD would amount to credible evidence of collaboration/partnering in the particular circumstances.

Authorities will need to seek their own advice to determine the extent to which it is permissible and relevant in a particular case to take account of past involvement in SRD as evidence of collaboration.

9.4 The contract variation issue – guidance on risk mitigation

The test of whether a contract has been changed such that it is different is whether, had it been advertised in its amended form, either (a) suppliers who did not in fact express an interest when the contract was advertised, might have done so or (b) it is possible that a supplier who did express an interest but was not selected, or who failed to be awarded the contract, might have been selected or awarded the contract.

This is a strict test. The test is not whether in fact there were such suppliers: only whether the change itself is such that there *might have been* such suppliers. In the English court, the claimant has to show that they, in particular, suffered or risked suffering loss or damage; it appears that it may not be difficult for a supplier to show that they risked suffering loss or damage where there has been a substantial change in contract terms.

The question of whether a contract variation amounts to a new contract has taken on a particular importance since the coming into force of the new Remedies Directive on 20 December 2009¹⁰ These rules, among other things, enable the Court to declare ineffective any contract entered into without advertisement in the Official Journal of the EU (where such advertisement was required). This means that a contract variation involving above-the-thresholds works, goods or Part A services, that should in fact have been treated as a new contract and advertised could well be susceptible to being declared ineffective if a challenge arose. It is important to remember that the new remedies rules do not affect the substantive question of whether a contract variation *in fact* amounts to a new contract, but they do mean that the consequences of getting it wrong are potentially much more severe.

In 2008 the European Court of Justice considered the permissible limits of contract variation in the *presstext*¹¹ case. In that case, the Court set out some non-exhaustive interpretative principles to assist in assessing whether changes were such as to require a new competition. In *presstext* the Court said that there would be a new contract when the variation:

- Introduces conditions which, had they been part of the initial award procedure, would have allowed for the admission of tenderers other than those initially admitted or would have allowed for the acceptance of a tender other than the one initially accepted.
- Extends the scope of the contract considerably to encompass services not originally covered.

¹⁰ Directive 2007/66/EC, implemented by the Public Contracts (Amendment) Regulations 2009, SI 2009/2992

¹¹ Case C-454/06 - *presstext* Nachrichtenagentur GmbH v Republik Österreich (Bund), APA-OTS Originaltext – Service GmbH and APA Austria Presse Agentur registrierte Genossenschaft mit beschränkter Haftung

- Changes the economic balance of the contract in favour of the contractor in a manner which was not provided for in the terms of the initial contract.

Of the three characteristics above, it is perhaps the first and second which, in the case of SRD, obviously create the risk of non-compliance. To give an example, suppose that in the course of SRD a supplier develops a significantly more reliable and faster billing system. The contract is amended to reflect the new standards. A disappointed bidder from the original competition challenges on the basis that they would have been able to offer a system which meets the newly-required standard, or something very similar, which might have enhanced their chances of winning. An important factor in whether the challenger would be successful in this example would be the significance of the billing system in the original procurement. If the original procurement was for an IT contract to provide a billing system as such, then a variation of this nature might well amount to a new contract. However, if the original procurement was for, say, a waste contract of which billing was only an ancillary part which had little or no impact on evaluation of tenders in the original procurement, then it is less likely that this would be a material variation triggering an obligation to re-tender.

It is not just individual changes that need to be considered. It is possible that a number of changes are made to a contract as a result of SRD that are individually not material but taken together do amount to a material change. The more such changes take place as a consequence of SRD, the more scope there is likely to be for such challenges.

It is likely too that some possible changes emerging from SRD might amount to substantial extensions of scope – for example, the construction of new depots in the context of a waste disposal contract. These might appear, in the context of SRD, as simply desirable enhancements of the existing scope – building on what is already happening – but could very easily be construed as unlawful extensions.

There are likely to be at least three aspects to successful management of these risks:

- Very careful construction of materials: contract notices, contract documents, and selection and award processes for contracts subject to SRD will have to be undertaken so as to mitigate the risk of doing anything unlawful. In particular the clauses in contracts which require and describe participation in SRD, and those which enable contract changes to reflect agreements reached as a result of SRD, should be drafted so as not to incur the risk of uncertainty. Existing contract clauses of the kind commonly found in public contracts relating to continuous improvement may be sufficient for these purposes but an authority embarking on SRD should review any such provisions that it uses to ensure that they are suitable both for the mechanics and for the possible outcomes of the SRD process.
- Ensuring that the market “buys in” to SRD, even when the suppliers in question are not directly engaged in contracts.
- Ensuring that SRD does not, in practice, turn into a mixture of price-gouging by aggressive client-side contract managers or costs-building by aggressive contractor-side contract managers.

The *presstext* case also suggests that changes which are provided for or foreshadowed in the contract as originally concluded, and changes which are made to accommodate changes in external circumstances, will be less likely to be construed as constituting a new contract which must be awarded by public competition. However these considerations must be treated with caution. Changes which significantly (or perhaps even appreciably) changed the economic balance of the contract, whether by amending the risk/reward structure or by changing the scope, would run the risk of being unlawful unless very precisely foreshadowed in the contract.

Countervailing that risk, authorities should bear in mind that in a number of fields it is standard practice for the parties to be able to change specifications. For example, ICT contracts will, more usually than not, include “refresh” clauses which either allow or oblige the parties to update software or hardware periodically, without necessarily specifying what the update will consist of. Similarly, construction contracts, particularly larger-scale contracts, will always allow for substantial variations to allow for emerging conditions, changes in economic situation and other matters. Complex service contracts will commonly allow for amendments to scope, often at the discretion of the client rather than as a consequence of any specified contingency. It would be unrealistic to assert that all these are unlawful. If the areas which are open to such change, and the processes by which

changes will be determined, are both clearly stated in the contract notice, the tender documentation and the contract itself, such that all suppliers who might have an interest in the contract are properly alerted to the relevant terms, there is an argument that both the requirements of equal treatment and the *presetext* principles are satisfied.

In attempting to make advance provision for changes, it is important to ensure that the scope of the contract is not made so uncertain that it amounts to little more than an appointment of a favoured supplier, with the exact subject-matter, prices and possibly other terms (such as key performance indicators, which necessarily will be adapted to the deliverables provided for by the contract from time to time) being developed through the SRD process. There must be a significant risk that this degree of flexibility would be in itself unlawful, allowing the parties to negotiate and agree on the subject-matter and pricing of the contract without any of the transparency which is supposed to act as one of the principal guarantees of equal treatment.

Credits

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Mark has worked in Procurement for over 30 years and specialises in the management of contractual and commercial relationships. His career includes working in the private sector in the construction industry before joining the public sector in 1992 as Procurement Manager for Haringey Council. Mark joined the London Fire Brigade as Head of Contracts Management Group in 2002 and is responsible for the management of LFB's major contracts such as the PFI contract for fire vehicles and equipment. He has led a number of Regional Improvement and Efficiency Partnership projects since 2007 and is also the Project Director for the Supplier Relationship Development project. Mark's work has also been recognised via a number of awards including the SOPO Award for Outstanding Achievement in Procurement (2009). He is keenly interested in the development of best practice regarding contractual relationships management, and has led many developments in this field including business continuity in the supply chain and the production of the *'You and Your Contractor'* manual. Mark is one of the key architects behind the Supplier Relationship Development process.

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He worked in central government until 1995, serving in various senior project management and procurement roles at the MOD, Home Office, Cabinet Office and H M Treasury, before moving into the private sector in 1995 where he managed the public sector division for a major ICT provider.

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Alexandra Ranson has been involved in the LFB/Capital Ambition Supplier Relationship Development project from its inception in 2005. A corporate finance analyst by training, she developed the original concept of information arbitrage as part of the LFB project, and has since researched and analysed much of the crucial supplier intelligence which has unlocked the doors to millions of pounds of cashable savings for the taxpayer. Alexandra has over 15 years' experience in the public, private and third sectors, including serving in the Collaborative Procurement team at the Office of Government Commerce, part of HM Treasury.

Alexandra Ranson has a MA from Magdalene College, Cambridge, and an MBA from the University of Virginia, for whom she has written and co-written numerous published business case studies.

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Appendix 1: Risk Register

Risk Index No: /Status (e.g. 001/Open)	Description of Risk	Probability High Medium Low	Impact High Medium Low	Description of Mitigating Action	Person responsible for resolution	Date when raised	Target date for resolution	Risk closure approved by project board?
001/Open	Officers nominated by CEOs to work on SRD do not have the appropriate level of expertise or authority to make decisions on behalf of their authority	Medium	High	Re-engage through CEO if necessary.	Project Manager			
002/Open	Critical suppliers not prepared to take part in SRD. Will not engage with project team	Medium	High	Identify the benefits and value to supplier by participating. Seek to create the opportunity to present an open and comprehensive briefing for suppliers on SRD and the approach and address any issues that arise. High level meetings with Suppliers being arranged to gain ownership. Implement any mitigating action as appropriate.	Project Manager			
003/Open	Legal challenge to the implementation of an SRD approach in London from either local authorities or suppliers.	Medium	High	Received initial advice from lawyers that SRD is legal with some caveats. Best Value duty of continuous improvement is also applicable during post contract phase. Continue to seek legal advice on approaches from action plan once developed. In terms of distorting future competitions by earlier supplier development, we shall also seek to make the processes and benefits of the SRD process transparent and publish appropriate information via the web.	Project Manager		Until Action Plan agreed by both LAs and suppliers	

Risk Index No: /Status (e.g. 001/Open)	Description of Risk	Probability High Medium Low	Impact High Medium Low	Description of Mitigating Action	Person responsible for resolution	Date when raised	Target date for resolution	Risk closure approved by project board?
004/Open	Lack of appropriate IT tools in the market to support the application of technology to SRD	Low	Medium	PM to explore solutions and to “flag up” as part of regular monitoring	Project Manager			
005/Open	Poor outcome	Low	Low	Project monitoring to be agreed at outset	Project Board			
006/Open	Project is more complex and overruns in time	Medium	Medium	Use PRINCE2 methodology; review project plan. Keep council reps informed.	Project Board			
007/Open	Project Host withdraws support and resources	Low	High	Seek alternative host.	Project Sponsor			
008/Open	Lack of Local Authority ownership and commitment (e.g. managers reluctant to consider options)	Medium	High	Lobby support	Project Sponsor			
009/Open	Savings and/or efficiencies not realised.	Low	High	Ensure baselining and methodologies are robust.	Project Director			
010/Open	Customer and supplier satisfaction lowered (if users find new systems and procedures difficult or cumbersome)	Low	Medium	Involve departments on a pilot basis for new systems, so any problems can be detected before full roll-out	Project Manager			
011/Open	Local authority customers are diverse in background and unable to co-ordinate agendas (i.e. home care experts versus PFI nursing homes versus spot care contracts)	Medium	High	Ensure visibility of varying agendas and goals; develop consensus where necessary.	Project Manager			

Risk Index No: /Status (e.g. 001/Open)	Description of Risk	Probability High Medium Low	Impact High Medium Low	Description of Mitigating Action	Person responsible for resolution	Date when raised	Target date for resolution	Risk closure approved by project board?
012/Open	Some local authorities may be in a retender position and therefore would not be able to participate fully in the project, thus reducing its impact.	High	Medium	Obtain legal support in determining who can participate in the project, to what extent, and what is needed for other stakeholders, e.g. competitors.	Project Board			
013/Open	A difficulty could arise in moving from strategic goal-setting to the operational implementation.	High	High	Ensure all stakeholders are consulted and informed throughout the process; utilise project management techniques to ensure take up of initiatives.	Project Manager; Negotiation Team and Stakeholders			

Appendix 2: Common Assessment Framework for Public Sector Bodies

The Common Assessment Framework used by the Capital Ambition SRD project was adapted from templates used by the Office of Government Commerce (now part of the Cabinet Office).

The questions listed below are generic and applicable to most contracts; however, it is recommended from the interviews in section 6.2.3 that tailored questions be created to suit the individual contract in addition to these listed below. Each question should also have space for comments to be included, so that qualitative remarks may be captured.

The results can be tabulated into a spreadsheet and anonymised if necessary. It may be helpful to identify, in addition to average (mean) scores, the median and mode scores.

Your Name:	
Your Public Sector Organisation:	
Contract Type:	
Contract expiration dates (include extensions):	
Contract Value Per Annum	

Please mark responses on a scale of 1 – 10, with 1 being poor or disagree and 10 being excellent or agree.

Relationship and Communications

1. How would you rate your organisation's relationship with <Supplier> overall?

Score (1-10): _____

2. Do you believe that <Supplier> gives your organisation adequate attention to contract terms and conditions and day to day issues?

Score (1-10): _____

3. How would you rate the joint partnership approach to your contracts?

Score (1-10): _____

4. Do you think that <Supplier> is "too comfortable or complacent" (score 1) or "very responsive" (score 10) in your relationship?

Score (1-10): _____

5. How would you rate <Supplier's> ability to create localised solutions, e.g. localised training?

Score (1-10): _____

Service Delivery

6. How would you rate <Supplier's> performance under your contract(s)?

Score (1-10): _____

7. How would rate the appropriateness and effectiveness of performance measures in your organisation's contract(s) with <Supplier>? (if your contract(s) do not have performance measures, you should score 1 to this question)

Score (1-10): _____

8. Does your organisation's contract(s) include effective performance reporting include effective data capture, analysis and regular reporting? (if your contract(s) do not have formal performance reporting mechanisms, you should score 1 to this question)

Score (1-10): _____

Billing

9. How would you rate <Supplier> in billing fairly, timely, accurately and in accordance with the contract(s)?

Score (1-10): _____

10. Are costs transparent, and are they compared with other public sector bodies? [Please note in comments if your contract(s) allow open-book accounting.]

Score (1-10): _____

11. How would you rate the arrangements for negotiating annual inflation increases, or other billing changes?

Score (1-10): _____

12. How would you rate the incentivisation of good outcomes within your contract(s)? Please note in comments if incentivisation is linked to payments.

Score (1-10): _____

Public Sector Body Contract Management

13. How would you rate your organisation's ability to deploy resources to the management of <Supplier> contract(s)?

Score (1-10): _____

14. How would you rate your organisation's skills in management of <Supplier> contract(s)?

Score (1-10): _____

15. On a scale of 1-10, with 1 being low and 10 being high, how much bargaining power do you feel you have as a customer of <Supplier> in the event of an issue arising?

Score (1-10): _____

16. Do you share your KPIs and contract management scores with other public sector customers of <Supplier>?

Yes/No _____

Problem Solving and Innovation

17. How would you rate <Supplier> as a pro-active supplier (score 10) or reactive (score 1)?

Score (1-10): _____

18. How would you rate <Supplier> on attention to health and safety matters?

Score (1-10): _____

19. How would you rate the complaints handling and escalation procedures and management response within <Supplier> in the event a problem needs to be escalated?

Score (1-10): _____

20. Have you had reason to issue any default notices in your contract(s)?

Yes/No: _____

Employees, Skills and Training

21. How would you rate the competence of <Supplier's> client-facing staff?

Score (1-10): _____

22. How would you rate the training of <Supplier's> client-facing staff?

Score (1-10): _____

Opportunities

Please see the attached list [N.B. See section 6.4.3] for possible negotiation areas. Feel free to comment on the areas you feel would be most beneficial to both public sector bodies and <Supplier> in the space below.

Comments:

Appendix 3: Common Assessment Framework for Suppliers (the “Reverse” CAF)

Like the Common Assessment Framework completed by public sector bodies on their relationship with their supplier, a “Reverse” Common Assessment Framework can be completed by the supplier on their customer relationship with public sector bodies.

Relationship and Communications

1. How would you rate the relationship with the <Public Sector Body> overall?

Score (1-10): _____

2. How would you rate the joint partnership approach to this contract?

Score (1-10): _____

3. How good is the <Public Sector Body> in dealing with the public directly?

Score (1-10): _____

4. How would you rate <Public Sector Body’s> communication with its own officers?

Score (1-10): _____

5. How good is the data and operational information passed from the <Public Sector Body’s> officers to <Supplier’s> location?

Score (1-10): _____

Public Relations and Planning

6. Is the <Public Sector Body> proactive in solving operational issues?

Score (1-10): _____

Service Delivery

7. Does the <Public Sector Body> understand our Health and Safety Procedures?

Score (1-10): _____

Billing

8. How would you rate the <Public Sector Body’s> financial processes?

Score (1-10): _____

9. How good and fair is the <Public Sector Body> at collating and interpreting service statistics?

Score (1-10): _____

10. Are disputes settled fairly?

Score (1-10): _____

11. How flexible is the <Public Sector Body> in dealing with contractual issues?

Score (1-10): _____

Innovation

12. Do you feel that the <Public Sector Body> is innovative in finding solutions as a client?

Score (1-10): _____

Employees, Skills and Training

13. How would you rate the competence of the client officers?

Score (1-10): _____

14. How would you rate the training of the client officers?

Score (1-10): _____

15. How good are the <Public Sector Body's> officers in managing elected officials and their expectations?

Score (1-10): _____

Opportunities

Please see the attached list [N.B. see section 6.4.3] for possible negotiation areas. Feel free to comment on the areas you feel would be most beneficial to both public sector bodies and <Supplier> in the space below.

Comments:

Appendix 4: Negotiation Template

The Capital Ambition Supplier Relationship Development Project tracked all the Workstreams for each Supplier in a workbook with several spreadsheets called the Negotiation Template. The first spreadsheet was the Master Spreadsheet, which serves as a one-page overview of the progress of all workstreams. It can be shared between public sector teams and suppliers.

Master Spreadsheet Template

Issue	Description	How we will achieve them	How we will measure success	Timetable	Difficulty	Priority	Type of Benefit	Beneficiary	Value (if applicable)	Status
The Workstream	A brief description of the workstream	A brief description of how it could be achieved	A description of how the benefits will be measured	When the benefits will deliver	How difficult is the workstream	What the workstream priority is	Whether the benefit is cashable or non-cashable	Who will benefit	The value of the benefits	

Each workstream was hyperlinked to an individual workstream worksheet which had further “drill-down” detail on each workstream.

Individual Workstream Template

Workstream Title	Workstream Title from Master Spreadsheet
Brief Description	A description of the workstream.
Priority	The priority for delivery.
Sensitive?	Whether the workstream is considered sensitive.
Workstream Lead	Who is responsible for delivering the workstream.
Cashable (Y/N)	Whether benefits are cashable or not.
Estimated financial benefit p.a.	Estimated financial benefits for the whole workstream. (N.B. Calculations will be at the bottom of this worksheet).
Recurring (Y/N)	Whether the benefits are recurring or a one-off savings.
Estimated costs to access (non-recurring)	If there are any costs to access the savings, such as under an invest-to-save initiative, list them here.
Key stakeholders (internal)	Who the key stakeholder groups are inside the public sector body and the supplier.
Key stakeholders (external)	Who the key stakeholder groups are outside the public sector body and the supplier (the public, service users, etc.).
Risks	What the risks are.
H&S Factors	What the Health and Safety factors are.
Estimated Time to Implement	How long it will take to implement the workstream.
People Implications	Whether there are any implications on the public sector or supplier workforces.
Process Implications	What the implications are for the process as a result of the workstream.
Infrastructure Implications	What any changes are for the infrastructure as a result of the workstream.
Require a contract change? (Y/N)	Whether a contractual change is required for the workstream to be implemented.
Process (soft) benefits	Describe the non cashable benefits.
Policy Implications	Whether there are any policy changes required as a result of the workstream.
Political Hurdles/Factors	Whether there are any political implications for the workstream.
Can a trial be conducted?	Whether a trial/pilot can be conducted.
Environmental Factors	What the environmental impact of the workstream is likely to be.
Equalities Factors	What the implications are from an equalities perspective on the workstream.

Benefits Methodology

The benefits for each workstream were mapped out onto each spreadsheet in a table. The column headings were:

Savings area

Enter the area of savings that could come from this workstream. For example, if waste collection routes could be re-routed, savings areas would be vehicles, crew, etc.

Description of benefit

Enter the description of the benefit. In the example of waste collection routes being re-routed, this would be the reduction of vehicles being leased, the reduction in fuel consumption, the reduction of insurance and tax, etc.

Benefit calculation methodology

Enter how the benefit will be calculated. Again, using the above example, a savings area could be vehicles, and the benefit could be reduction in fuel consumption. This section would note, descriptively, the number of litres of fuel consumed normally, multiplied by the cost of fuel per litre, multiplied by the number of vehicles that are affected.

Per Annum Savings (supplier contracts)

Per Annum Savings (all area contracts, including supplier's)

Savings Distribution

Cashable (Yes or No)

Appendix 5: Joint SRD Strategy Document

Restricted: Commercial Confidential

Supplier Relationship Management Strategy for XXXXX

1. Market Size and Growth Rates

Revenue and operating profit, 2007-2011

Most recent financial results

Financial performance of

Financial performance of the

Outlook

2. Market Share by Supplier

3. Generic Market Issues

Sectoral Risk Issues

See Sectoral Risk Register at Appendix A.

Supplier Engagement Plan

1. Presence in London Local Government Sector

Key contracts in delivery:

[Other major block contracts in London]

2. Main Perceived Capabilities

3. Main Perceived Weaknesses

4. Key Issues raised by Supplier (If any).

5. Key Issues to be taken up with Supplier

To be taken up in first six months:

Activities for service users

Addressing performance concerns shared by clients, definitions of activities, etc.

Consistency in performance monitoring and reporting arrangements

Improving outcomes for users/measuring and reporting user experience

Standardisation of discount rate for

Addressing XXXX personnel development issues

Standardisation of response times, standards and protocols

Standardisation of occupancy reporting and billing

Partnership Charter

Including an agreed process for innovating and modest funding to support new ideas, plus a London-wide forum for identifying new business opportunities.

Future topics from:

- Cash savings/efficiency gains/gainshare
- Risk management and risk transfer
- Sustainable Procurement and CSR
- Cost avoidance
- Resource sharing (for both companies and clients)
- Refinancing and collective refinancing
- Relationship improvement measures
- Business Continuity and Contingency Planning
- Continuous Improvement Planning (Best Value Duty)
- Financial management
- Audit
- Co-location
- Supply Chain and Supply Network management
- Communications
- Liaison/Governance Structure
- Compensation Event
- Change control process
- 'Open Book' Accounting.

6. Proposed Action Plan Targets for Next 6 months

Principal Actions:

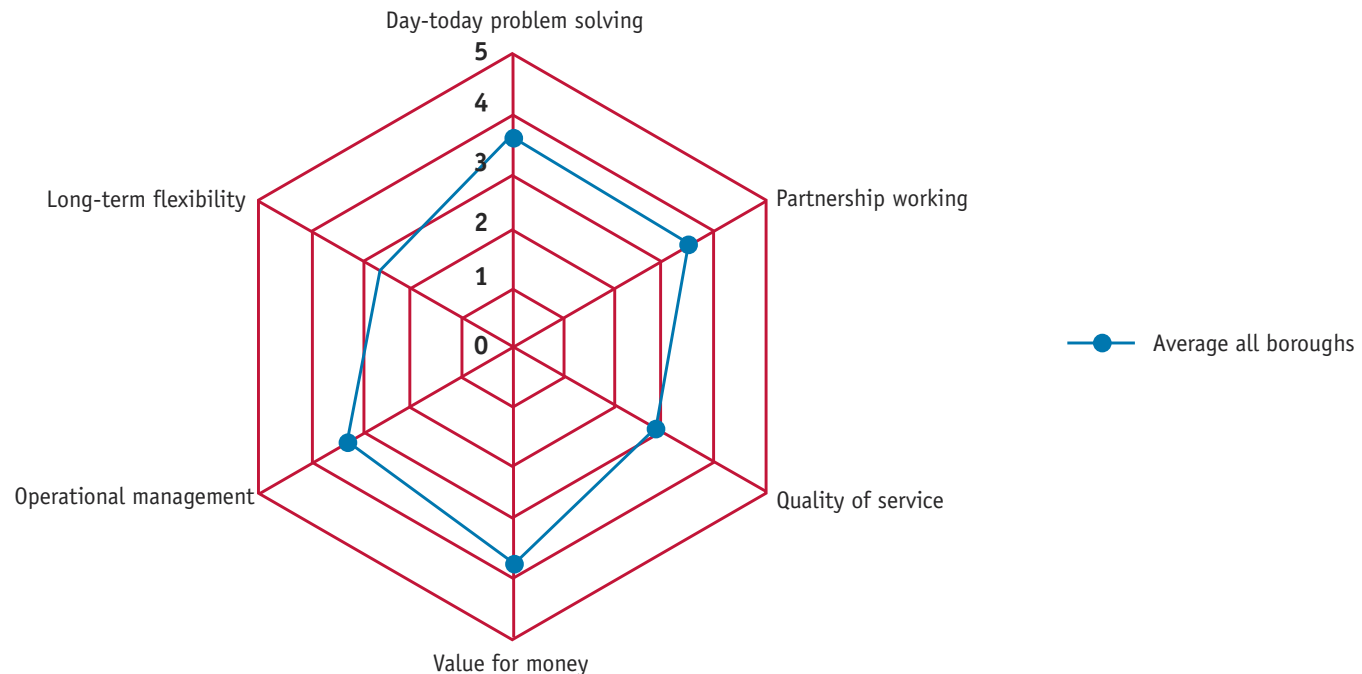
- a. Exploratory Meeting [date tba]
- b. Agree SRM Strategy and Partnership Charter [date tba]
- c. Resolve Activities issue [date tba]
- d. Agree plan to achieve consistency in performance monitoring and reporting [date tba].
- e. Agree process for developing measures of outcomes (and incentivising improved outcomes) for service users [date tba].

7. Supplier Assessment Framework results

Based on XXXX London boroughs with XXXX contracts, measured November 2006:

Supplier	London Borough	Day-to-day problem solving	Partnership working	Quality of service	Value for money	Operational management	Long-term flexibility	Overall score	Total London Spend (£m pa)
	Average all boroughs	3.6	3.5	2.9	3.8	3.3	2.6	3.3	
	Range all boroughs	3 to 4.5	1.5 to 5	2 to 3.5	3 to 5	3 to 3.5	2 to 4	2.6 to 4.3	Nov 06

- Day-to-day problem solving** : your current level of confidence in this supplier's ability to fix problems swiftly and effectively.
- Partnership working** : your current assessment as to how well this supplier works in partnership with you.
- Quality of service** : your current overall assessment of the quality of service delivered by this supplier
- Value for money** : your current assessment of the competitiveness of prices for the level of service delivered.
- Operational management** : your current level of confidence in the effectiveness of this supplier's managers.
- Long-term Flexibility** : your current level of confidence that this supplier will be flexible enough to meet your needs in the long term.



Appendix 6: Terms of Reference

Purpose of document

The purpose of the Terms of Reference document between <Supplier> and the <Public Sector Body/Sub-regional/Regional Group> Collaboration Team is to outline the conditions for working together for mutual benefit to improve existing contracts held between <Supplier> and <Public Sector Bodies>.

Strategic perspective

1. Efficiencies and improvements are key corporate agenda items for both <Public Sector Bodies> and <Supplier> and will continue to be so for the foreseeable future.
2. The <Public Sector Bodies> customers of <Supplier> will work closely in driving efficiencies and improvements, and will approach the work in an innovative, positive and collaborative manner for mutual benefits.
3. Supplier Relationship Development has the potential to assist public sector bodies in the achievement of efficiencies, especially in view of the recessionary pressures which are adversely affecting budgets.
4. Supplier Relationship Development has the potential to assist <Supplier> in the achievement of efficiencies, and many other corporate goals such as <Supplier> improved customer service, improving profitability and freeing up cash flow by reducing its operating costs through collaboratively targeting inefficiencies. There may also be the potential to realise benefits via gain share projects, improved customer relationships and positive PR in government press circles.

Participants

The group participants are volunteers from the public sector customers of <Supplier>, and nominated representatives of <Supplier> itself. Public sector bodies who have existing contracts with <Supplier> but are currently retendering for those contracts are not able to participate. The main reason for this is to avoid situations where collaboration under SRD could be anti-competitive, or could be perceived as such, in view of a current tender round. A Project Director and a Project Manager have been provided as facilitators for the public sector side. A Supplier Relationship Development Programme Board is in place which oversees the <Supplier> SRD project as part of the wider programme. <Supplier> has provided Project Managers as well as other Principal Managers.

Accountability and governance

The <public sector bodies> group representatives (via the Project Director and the Project Manager) are jointly accountable to the Programme Board and their respective public sector bodies. <Supplier> representatives are accountable to <Senior Executive, Supplier>. It is intended to set up a steering board particularly for the <Supplier> element of SRD. The steering board will meet at least every six months (or sooner if required) to monitor progress and resolve issues. A schedule of meetings will be devised for both the steering board and the collaborative groups.

Gainshare

Gainshare, where appropriate, will be proportioned to the relevant party on a case by case basis. Each workstream will consider gainshare implications and agree the proportionality.

Commercial confidentiality

It is recognised that some issues may be subject to commercial confidentiality, and equally recognised that local authorities are subject to transparency issues as a result of the Freedom of Information Act. If an issue or workstream arises that is subject to commercial confidentiality, legal advice is to be sought to protect the interests of both <Supplier> and the participating public sector bodies.

Funding

Funding for specific workstreams will be decided on a per-workstream basis as necessary. Funding for project meetings will be paid for by the meeting host. Funding for the Project Director and Project Manager will be paid by <public sector group>, and funding for the Project Managers provided by <Supplier> will be paid by <Supplier>.

Alterations/amendments

Alterations/amendments to the Terms of Reference can only be made with the agreement of the Project Director (<insert name>) and <Supplier's> <Senior Executive> (<insert name>).

Stakeholder communications

The Collaboration Group shall work closely with the <public sector group> Communications Director and the corresponding <Supplier> representative responsible for communications for all external communications (i.e. press releases). A Communications Strategy will be developed as part of the project. In addition, a Press and PR Communications Protocol is attached to this document.

Collaboration team

Public Sector bodies

<insert names of public sector participants>

Supplier

<insert names of supplier representatives>

AGREED (sign and date)

< Public Sector body>

< Supplier>

Appendix 7: Press and PR Protocol

<Public Sector Body> and <Supplier>

Joint protocol for dealing with enquiries from the media and the public

1. Purpose of the Protocol

- 1.1 To record the arrangements agreed between <Public Sector Body>[the Authority] and <Supplier> [the Contractor] for dealing with press releases from either party and enquiries from the media and the public which relate to the Supplier Relationship Development Project (“the Project”) between <Public Sector Body> and <Supplier>.

2. Status of Protocol

- 2.1 This Protocol has been agreed by the Authority and the Contractor as dated below and will remain in use unless and until any amendments to it are jointly agreed by the <Public Sector Body> Communications Director and the corresponding <Supplier> representative responsible for communications for all external communications (i.e. press releases).

3. The Authority’s Organisational Arrangements

- 3.1 The Authority’s Press/Communications Office has a complement of several full-time staff and is managed by the Media Manager. Names and contact arrangements for these staff are set out in section 3.3 to this Protocol. The Authority will advise the Contractor of any changes to section 3.3 within 5 Working Days of the changes being effected.
- 3.2 The Press/Communications Office is generally staffed during standard business hours, with an out of hours contact number available.
- 3.3 Contact details for the Media Manager are as follows:

<Name>

Media Manager

<Address>

Telephone:

Mobile:

Out of hours:

Fax:

Email:

4. The Contractor's Organisational Arrangements

4.1 Names and contact arrangements for these staff are set out in section 4.2 to this Protocol. The Contractor will advise the Authority of any changes to section 4.2 within 5 Working Days of the changes being effected.

4.2 Contact details for the Communications Manager are as follows:

<Name>

Communications Manager

<Address>

Telephone:

Mobile:

Out of hours:

Fax:

Email:

4.3 The company also operates an out of hours emergency service 24/7/365 – all of its operating managers are aware of the contact number with the Marketing & Communications Director informed of all incidents that could generate media interest.

5. Authority arrangements for dealing with enquiries from the media and public

5.1 The Press/Communications Office will continue to handle all enquiries from the media and the public relating to the Supplier Relationship Development Project between <Public Sector Body> and <Supplier>.

5.2 So far as matters directly relating to the Project, the Press/Communications Office will:

- [a] notify one of the Contractor's contacts set out in section 4.2 at the earliest possible opportunity, by phone or email of any enquiry from the media or the public relating to the Project
- [b] issue a holding statement in response to enquiries under 5.2 [a] above and agree with the Contractor the text of any oral or written material to be issued to the media or the public
- [c] advise the Contractor's Marketing & Communications Director of any proposed public relations events which could reasonably be expected to involve matters relating to the Project and agree any action to be taken by the Parties and the event will not proceed until such agreement is reached.

On all occasions the Press/Communications Office will discuss and agree with the Contractor the potential use of its equipment and staff. The contractor reserves the right to abstain its staff from media interviews under reasonable circumstances i.e. only staff that have been media trained will be put forward for interviews etc

- [d] deal expeditiously with and not unreasonably withhold approval to any material referred to in 6.1 [a] below and any requests referred to in 6.1 [d] below.

6. The Contractor’s arrangements for dealing with enquiries from the media and public

6.1 So far as matters relating to the Project, the Contractor will:

- [a] notify one of the Authority contacts set out in section 3.3 at the earliest possible opportunity, by phone or email of any enquiry from the media or the public relating to the Project
- [b] issue a holding statement in response to enquiries under 6.1 [b] above and agree with the Authority the text of any oral or written material to be issued to the media or the public
- [c] contact the Authority’s Press/Communications Office by phone or email with requests from the media to photograph or film at [] for approval by the Communications Director and agreement as to the arrangements to be made and the requests will not be agreed until such approval is given
- [d] advise the Communications Director of any proposed public relations events which could reasonably be expected to involve matters relating to the Project and agree any action to be taken by the Parties and the event will not proceed until such agreement is reached
- [e] so far as 6.1 [d] above is concerned, where approval is given for photographing or filming at [], ensure that those attending from or on behalf of the Contractor comply with all instructions issued by the [Authority’s Representative] at the incident or exercise.

Access to the contractors operation will only be allowed following adequate insurance, risk assessment and assurances of the correct use of PPE when on site.

- (f) the use of <Supplier> brand and its typography can only be used with the express permission of the Marketing & Communications Director and is subject to its brand guidelines.

7. Standing Item on [Regular Review Meeting] Agenda

7.1 There will be standing item on agenda for [regular review meetings] to deal with Press and PR Matters and for which specialist advisers from the Authority and the Contractor may attend.

8 Disputes

8.1 Any dispute arising in relation to this Protocol shall be referred to the [regular review meeting].

Signed _____ for the Authority

Signed _____ for the Contractor

[date]

Appendix 8: Stakeholder Map and Communications Plan

KEY: Responsible; Accountable; Consult; Inform

Stakeholders	Areas of Interest and Communication (both to and from)										
	SRD Concept & Approach	Supplier Information 'Arbitrage'	Areas of local authority improvement (quick wins)	Local authority assessment of contract performance.	Local authority assessment of contract risk	Supplier assessment of contract performance.	Supplier assessment of contract risks	Areas of Joint improvement SRD Strategy	Achieved Value & Benefits of SRD Approach.	Efficiency Gains & Savings	Assessment of London critical suppliers. (based on expenditure)
LCE Management Board	I						I	I	I	I	
Capital Ambition Board	I						I	I	I	I	
	Project Governance (a)										
Project Sponsor	C	I	I				C	I	I	I	
Project Steering Group	I	I	C	C	C I	I	C	C	C	I	
Project Team	A	A	A	A	AA	A	R	A	R	A	
	London Boroughs (b)										
Members & Councillors	I						I	I	I	I	
CEOs	I						I	I	C	I	
Finance Directors	I						I	I	C	I	
Heads of Procurement	I						I	I	I	R	
Citizens	I							I	I		
	London Boroughs with Supplier Contracts (c)										
CEOs	I		I				I	I	I	I	
Finance Directors	I		I				C	I	C	C	
Service Directors	I	I	C	C	C I	I	C	C	C	I	
Contract Managers	I	I	R	R	R I	I	AR	R	AR	R	
Heads of Procurement	I	I	C	C	C I	I	C	C	C	R	
	Suppliers (d)										
Senior Management	I				C	C	C	I	C		
Regional Managers	I			I	I R	R	AR	R	AR		
	Other Public Bodies (e)										
Regional Improvement Bodies	I							I	I		
ERG	I							I	I		
	Professional Bodies (f)										
London Contracts & Suppliers Group	I							I	I		
Society of Procurement Officers (SOP0)	I							I	I		
London LA Professional Networks	I							I	I		
Public Sector & Trade Media	I						I	I	I		

Communication Plan

Communication Objectives

- Effectively communicate with appropriate stakeholders in a targeted and timely manner:
 - the principles and potential value and benefits of Supplier Relationship Development;
 - the aims and objectives of Supplier Relationship Development project; and
 - the progress and achievements of the Supplier Relationship Development project.
- To establish and maintain buy-in and support from key stakeholders for the project.
- To establish and maintain mutually beneficial relationships with <region's> principal suppliers.
- Establish effective communication mechanism and manage all communication in a targeted and timely manner.

Key Messages

- Supplier Relationship Development pilot is supported and funded by <regional group>.
- The support of Public Sector CEOs and contract managers is critical to the SRD project's success.
- By working collaboratively public sector bodies can apply influence and achieve key client status with suppliers.
- Supplier Relationship Development is not about reducing supplier's margins.
- Supplier Relationship Development is about improving the efficiency and performance of leading contracts.
- The preservation of current supplier relationships with is paramount and all improvements need to have the ability to be implemented within current contract arrangements.

Item	Method of communication	Stakeholder Group	Frequency	Year 1											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SRD Concept & Approach	Letter from Sponsor & workshop	b, c, d,(f)	LA first followed by supplier												
Supplier Information 'Arbitrage'	Email & telephone	a, c													
Areas of local authority improvement (quick wins)	Email CAF	a, c													
Local authority assessment of contract performance	Email CAF & workshop	a, c													
Local authority assessment of contract risk	email CAF & workshop	a, c													
Supplier assessment of contract performance.	email CAF & workshop	a, d													
Supplier assessment of contract risks	email CAF & workshop	a, d													
Areas of Joint improvement SRD Strategy	newsletter, email & press release	a, c, d													
Achieved Value & Benefits of SRD Approach	newsletter, email, press release & workshop	a, b, c, d, e, f													
Efficiency Gains & Savings	newsletter, email, press release & workshop	a, b, c, d, e, f													
Assessment of London critical suppliers. (based on expenditure)	Email & telephone	a, b, c													

Capital Ambition

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