Contract and Supplier Management Introduction

Route 2 medium/high-value, medium/high-risk contracts make up a significant proportion of the Scottish public sector's commercial activity. While they do not carry the same level of complexity or financial exposure as high-risk contracts, they are essential to the effective delivery of services, support organisational objectives, and represent a substantial cumulative spend across public bodies. Effective management of these contracts helps ensure value for money, service reliability, and compliance with procurement and governance requirements.

This guidance provides a practical and proportionate framework for managing **Route 2** contracts and the supplier relationships that support them. It is aligned with the Scottish Public Finance Manual (SPFM**),** Scottish Procurement Policy Handbook and recognised best-practice principles for Contract and Supplier Management (CSM) across the public sector.

Route 2 contracts benefit from structured but scalable oversight. They typically require regular performance monitoring, clear roles and responsibilities, documented communication routes, and a disciplined approach to issue and risk management.

By applying a consistent management approach, Organisations can ensure:

- Contract performance meets agreed standards and service levels
- Risks are identified and controlled in a timely and proportional manner
- Financial and commercial arrangements remain transparent and well-governed
- Suppliers understand expectations and are supported to deliver continuous improvement
- Social value, sustainability, and community benefit commitments are monitored and delivered
- Contracts remain compliant with relevant Scottish procurement policy and legislation

This guidance sets out the processes, tools, and governance structures that support effective management throughout the contract life cycle - from mobilisation and day-to-day monitoring to performance reporting, change control, contract closure

and lessons learned. It is designed to be practical, scalable, and useful for contract managers, service leads, procurement professionals, and operational staff who play a role in managing medium-risk contracts.

Purpose of CSM

Open or close

The purpose of Contract and Supplier Management is to work closely with suppliers and internal customers to:

- minimise the total cost of ownership and
- to maximise supply chain efficiencies

Contract and Supplier Management should result in ongoing benefits that will include contract procedure and process improvements; increased Procurement Function knowledge and experience; improved supplier capability and improved supplier relationships. All of these provide mutual benefits that can then be used to benefit future contracts for both buying and supplying organisations. This can be done by:

Relationships	Developing and managing constructive and transparent relationships with suppliers
Execution	Ensuring the contract is successfully executed. Includes meeting all special conditions relating to the performance of the contract which may cover economic, innovation-related, environmental, social or employment-related conditions
Value for Money	Maximising value for money from suppliers and contracts
Monitoring and Improvement	Providing a formalised system of monitoring, managing and continuously improving the supplier and the Organisation’s performance against the contract
Roles and Responsibilities	Ensuring that all parties recognise and understand their contractual roles and responsibilities

Compliance	Monitoring overall compliance to Key Performance Indicators(KPIs) and Service Level Agreements. Implementing improvement plans in the event of underperformance. Leveraging supplier expertise in pursuit of cost and efficiency gains
Improved Benefits	realising additional savings and benefits and sharing them appropriately
Supply Chain	Effectively managing the prompt payment of the supply chain
Innovation	Providing a focus for development of initiatives and innovations
Continuous Improvement	Driving continuous improvement
Lessons Learned	Identifying lessons learned to inform future contract terms or strategies
Efficiency	Developing supplier relationships to maximise efficiency. Collaborate towards common goals and reduce waste, environmental or social risks
Strategic Goals	Support the achievement of strategic goals, such as attracting Community Benefits through the contract
Sustainable Procurement	Monitoring Sustainable Procurement benefits through the life of the contract and ensuring that targets are met
Community Benefits	Monitoring Community Benefits achieved vs anticipated
Best Practice Sharing	Using the CSM process as a vehicle to share experiences across different contracts, so synergising opportunities and practices

Care should also be taken to manage risks to changes in contracts e.g. you may require to re-tender if there is a substantial modification.

Vision

Open or close

Organisations should use the four quadrants of the balanced scorecard consistently . This allows measurement of a supplier's performance across all organisations and /

or sectors who are using that supplier.

Contract and Supplier Management should:

- ensure that the service/contract is delivered to the required standards
- provides value for money;
- proactively identify and manage any risks which may impact on a supplier's service delivery / fulfilment of the contract requirements;
- improve and develop contract and supplier performance across organisations, sectors and nationally. A consistent approach will maximise efficiencies and promote adding value across the supply base;
- appropriately influence supplier activity and decisions, improving value for money, over and above cost savings;
- ensure the contract is effectively administered, for example from a change management perspective.

You should frequently aim to improve your own and supply base performance by various techniques.

Benefits of CSM

Open or close

Both you and the supplier should be motivated and enabled to deliver additional value. This should be done within legal limits and, over and above that specified in the original contract, e.g. not simply extending the expenditure. The process should deliver benefits such as:

Routes of Engagement	Provide formal routes of engagement at different levels of management. This allows opportunities for improvement at senior levels
Supply Costs	Ensure supply costs are contained and minimising, and that opportunities for improving cost effectiveness and efficiencies are explored and progressed e.g. packaging/delivery efficiencies, service level definition

Deliver Business Needs	Proactively ensure that the business needs under the contract are defined and delivered. Ensure both customer and supplier's obligations are understood and managed. Reduce reactive 'incident resolution activity' to minimise the cost of failure and of managing the relationship
Issue Resolution	Promote proactive issue resolution. Ensure clear escalation paths exist within both organisations
Standardisation	Use a standardised approach for a number of suppliers/customers. This will embed operational efficiency, consistency and quality
Consistency	Limit the number of people involved. This ensures process consistency and communication. It ensures the right people are involved in the right activities at the right time with the right information
Improvements	Encourage the supplier to improve their product or service in ways which provide additional value to the customer and to future customers. Promote efficiencies within both organisations which will develop the skills of the employees and help the supplier's staff to deliver a better service

Continuous Improvement

Open or close

There are a number of formal and informal continuous improvement methods. These range from: full continuous improvement programmes; to organisational collaboration; and improved internal and external communication.

One of the key continuous improvement tools used in the Scottish Public Sector is the Procurement and Commercial Improvement Programme (PCIP). This is designed to drive forward best practice and develop procurement activity and provides organisations with a means to benchmark their own activities against a suite of nationally agreed criteria

Contract & Supplier Management can be considered successful when:

- the arrangements for service delivery continue to be satisfactory to both parties, and the expected business benefits and value for money are being

achieved or exceeded
- the supplier is efficient, co-operative and responsive
- the Organisation understands its obligations under the contract
- there are no surprises
- there are no disputes
- professional and objective discussions over changes and issues are straightforward and easily managed
- efficiencies are being realised
- the Organisation’s procurement department contract and market knowledge improves, and benefits future contracts

Consideration must also be given to Planning, Sustainable Procurement and Risk Management throughout this stage of the Journey.