Monitoring and Reporting

Purpose

This guidance provides a structured approach to **monitoring and reporting on medium to high-risk contracts and suppliers (Route 2 or 3)**. Effective monitoring ensures:

- Compliance with contract terms and legal/regulatory requirements
- Timely identification and mitigation of risks
- Delivery of value for money and service quality
- Accountability and transparency in public sector procurement

This guidance can be applied to all medium to high-risk (Route 2 or 3) contracts in the Scottish public sector, including:

- High-value financial contracts
- Services with significant impact on operations or public safety
- Contracts with complex performance metrics or multiple stakeholders
- Contracts involving strategic suppliers

Monitoring and reporting on these contracts is critically important they often involve substantial financial value, essential public services, or significant operational and reputational risks. Here’s a detailed breakdown of why this is necessary:

Checklist

Checklist

Why Monitoring & Reporting is Important

- **Risk Management:** Identify and mitigate financial, operational, and reputational risks..
- **Performance Assurance:** Confirm suppliers meet agreed Key Performance Indicators (KPIs) and service levels.

- **Value for Money:** Detect overspending, inefficiencies, or opportunities for contract optimisation.
- **Transparency & Accountability:** Provide an audit trail for stakeholders, including auditors, boards, and the public.
- **Continuous Improvement:** Capture lessons learned to improve future procurement and contract management.

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Key Principles

1. **Proportionality** – Monitoring effort should match the contract's value, risk, and complexity.
2. **Clarity** – Roles, responsibilities, and reporting structures must be clearly defined.
3. **Transparency** – Reporting should be accurate, timely, and accessible to relevant stakeholders.
4. **Continuous Improvement** – Use monitoring data to inform future procurement and contract management decisions.

Measuring Supplier Performance - Understand Contract Terms and Conditions

Open or close

The fundamental purpose of Contract and Supplier Management is to ensure that:

- Suppliers meet their contractual obligations for the duration of the contract
- The contract's requirements are successfully delivered. This includes any special contract performance conditions included in the competition documentation and related to the contract subject-matter. This may cover economic, innovation-related, environmental, social or employment-related conditions.

- Anyone engaged in managing suppliers must read and fully understand the contract terms and conditions. This will ensure they are not at a disadvantage should any issues arise.

It is essential that your Organisation's Contract Manager/ Contract Management Officer is engaged from the Develop Strategy stage early in the process and participates in the development of the terms & conditions.

Balanced Scorecard

Open or close

The Balanced Scorecard can be used for managing and monitoring contract and supplier performance. A template for you to use can be found in the Balanced Scorecard station

The scorecard can be issued to multiple users of the contract and responses compiled to use as discussion point during the supplier review meetings.

The Key Performance Indicators (KPIs) can be edited to suit the commodity/service area.

Contract and Supplier Management (CSM) Monitoring Activities

Open or close

Performance Monitoring

- **KPIs & SLAs** – Define measurable Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) in the contract.
- **Regular Reviews** – Monthly or quarterly reviews depending on risk level.
- Benchmarking – Compare supplier performance against industry or previous contract benchmarks.

KPIs provide a mechanism to measure the four quadrants of the balanced scorecard (Quality, Cost, Sustainability, and Service). KPIs help organisations understand how well they and/or their suppliers are performing against their strategic goals and objectives.

This ensures suppliers meet agreed KPI’s and service levels. Early detection of under-performance allows corrective actions, reducing the chance of contract failure.

Financial Monitoring

- **Budget Compliance** – Track spend against budget and forecast future costs. Compare budget vs actual spend; flag deviations early.
- **Cost Variance Analysis** – Investigate deviations or unexpected cost increases.
- **Value for Money Assessment** – Assess whether the contract continues to deliver expected outcomes.
- **Financial Monitoring:** Compare budget vs actual spend; flag deviations early.

Key Performance and Risk Monitoring CSM Activities

Open or close

Risk Monitoring

There are several types of risk to take into consideration:

- **Financial risk:** Medium/high-risk contracts often involve larger sums of public money. Monitoring ensures funds are spent appropriately and cost overruns are identified early.
- **Operational risk:** These contracts might support critical public services. Monitoring ensures service delivery remains uninterrupted and meets agreed standards.
- **Reputational risk:** Failure in these contracts can damage public trust in government bodies. Regular reporting helps detect issues before they escalate.

The following activities can help you manage risk in CSM:

Reporting

Frequency: Monthly or quarterly, depending on contract risk level.

Content:

- Performance against KPIs
- Financial status (budget vs actual)
- Risk updates and mitigation actions
- Issues or disputes and resolutions
- Forecasts and recommendations for corrective action

Audience: Contract owner, senior management, procurement team, and auditors as appropriate.

Reporting Channels

- Internal: Contract Owner → Contract Manager → Senior Management/Board
- External (if applicable):Scottish Government, stakeholders

Escalation & Issue Management

- Define clear **thresholds** for escalation (e.g., KPI < 80%, spend > budget by 10%).
- Maintain **issues log** with actions, owners, and resolution deadlines.
- **Issue & Escalation Tracking:** Identify and record non-compliance, delays, or risks; escalate promptly.
- Use **formal escalation procedures** for unresolved critical issues to senior management or procurement governance boards.

Managing Continuous Improvement

- Conduct **post-contract evaluations** to identify lessons learned
- Integrate monitoring insights into **future procurement strategies**.
- Encourage **supplier development plans** for performance improvement.
- Monitoring generates insights into supplier performance and procurement practices.
- Lessons learned can improve future tendering, risk assessment, and contract management practices.

Financial Control and Value for Money

- Helps ensure **efficient use of public funds**.
- Regular monitoring highlights overspending, cost inefficiencies, or opportunities for renegotiation to achieve better outcomes.

Managing Transparency and Accountability

- Organisations are accountable to stakeholders, including the Scottish Government and the public.
- Reporting provides a clear audit trail of contract performance, decisions made, and remedial actions taken.

Documenting Decisions

- Maintain clear records of actions, approvals, and communications.

Early Issue Detection

Route 2/Route 3 contracts can involve complex deliverables. Monitoring allows early identification of risks such as:

- Supplier financial instability
- Delivery delays
- Non-compliance with contractual obligations

Further guidance on Risk Management can be found in Additional Resources

CSM Reporting Framework

Open or close

Frequency

- **Monthly**: Operational performance and financial tracking
- **Quarterly**: Comprehensive performance, risk, and compliance reporting
- **Annually**: Strategic review of supplier performance, contract outcomes, and lessons learned

Content

Reports should include:

1. **Executive Summary** – High-level overview of performance and key issues.
2. **Performance Metrics** – KPI/SLA achievement/Balanced Scorecard feedback, delivery milestones, quality indicators.
3. **Financial Summary** – Spend to date, forecast, and variances.
4. **Risk Update** – Key risks, mitigations, new issues, escalations.
5. **Compliance Status** – Regulatory, legal, and contractual compliance.
6. **Action Plan** – Corrective measures, responsible parties, deadlines.

Management Information (MI)

Open or close

MI is used to monitor the supplier's or contract's performance. It ensures management have the information necessary to make effective strategic and operational decisions.

It is important that your MI requirements are clearly defined and communicated to the supplier. The reporting arrangements can be included in your specification and/ or in the terms and conditions of the contract. Reporting arrangements must be fair and proportionate and not duplicate information already provided.

Your MI approach should minimise demands on suppliers for information about goods/ service delivery. The frequency and level of reporting should be informed by a risk assessment. Reporting may increase in certain circumstances, for example, if a complaint is made about service/ delivery.

For some specific services you should avoid duplicating information which is collected by and is available from regulatory bodies. This can be achieved through the development of Memorandum of Understanding and regular discussions between the Organisation and the regulatory bodies.

Contract Managers/ Contract Management Officers should present information gained through contract management in regular reports to senior managers. In order to fulfil their role, they should:

- prepare and issue reports summarising their actions, identifying any significant issues and detailing the conclusions that they have reached;

- consider the consistency of their conclusions with those arising from the work of the regulatory bodies;
- clearly identify the nature and grounds for any concerns and the action that is required to secure improvement;
- consult suppliers on the factual accuracy of all reports;
- communicate regularly with suppliers and ensure that emerging findings are discussed at an appropriate level within their organisations.

The **Management Information Example** document which can be found at the bottom of the page, provides examples of what could be included in MI reports as well as some examples of KPIs that could be included in an Invitation to Tender (ITT).

Performance Review Meetings

Open or close

Performance Review Meetings provide your Organisation and the supplier with an opportunity to:

- Focus on end to end performance;
- Identify issues and opportunities; and
- Put appropriate action plans in place.

The **Performance Review Meeting standard agenda template** can be completed by your Organisation and the supplier before the meeting. This will provide a structure to the meeting..

It is best practice to hold at least an annual review for suppliers identified (under the segmentation process) as requiring ‘medium level’ supplier management. At least two review meeting per year should be held for ‘high level’ suppliers.

The **Review Meeting Template** and a **Performance Review Agenda Example** are available at the bottom of this page to download an to assist you in doing this (and can be amended to suit your commodity/service contract).

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Example Performance Review Meeting Example Agenda

Agenda Item	**Description**
Introduction and Opening Remarks	Introduce attendees. Recognise special or new guests. Provide any opening remarks that are pertinent to this meeting such as current events, organisational changes, etc.
Review of Action Items	Each Performance Management Review meeting will produce some follow up action items for your supplier, your Organisation or both. These should be documented and followed up at the next Performance Management Review meeting.
Supplier Performance	Performance against SLAs/ KPIs/ Balanced Scorecards should be reviewed and discussed, and any performance concerns raised. This will be a quick review if all deliverables are being achieved. Any "below plan" performance will demand more discussion and most likely recovery action plans. These plans should be managed operationally and reviewed at the next Performance Review meeting.
Customer Performance	The supplier can raise any customer performance issues. For example these may be impacting their ability to their contractual obligations.
Key Improvement Areas/ Opportunities	All opportunities for improvement should be explored. Once identified, action plans should be agreed. Areas to be explored should include: current performance issues, cost, process, Sustainable Procurement, Corporate and Social Responsibility, innovation/value add.
Supplier Presentation	The supplier should provide a business overview, including example financial information, strategy, overarching objectives, etc.

Meeting Summary and Review of Action Items	Round up of meeting and confirm next meeting date.

Supplier Health Check

Open or close

Contracts are awarded following a thorough evaluation process which addresses some standard elements.

Throughout the life of the contract, your Organisation's Contract Managers/Contract Management Officers should perform periodic supplier 'health checks'. This ensures the standards demonstrated during the initial evaluation are being maintained. Health checks could include:

- Financial Status;
- Business Probity;
- Conviction of Criminal Offences;
- Compliance with Legislation and Regulatory Provisions (including Equality);
- Corporate Social Responsibility;
- Sustainable Procurement and Environmental practices;
- Health & Safety; and
- Insurances.

The frequency of the checks should be in line with the type of contract. **For example**, **Strategic** and **Bottleneck** contracts **should be checked more frequently** than **Leverage** and **Routine** contracts.

For guidance on how to segment your contracts, please visit the Segmentation Station.

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CSM Best Practices

- Establish a **Monitoring Plan** at contract handover.
- Use **standard templates**, such as the Balanced Scorecard, for reporting to ensure consistency.
- Schedule **regular review meetings** with suppliers and internal stakeholders.
- Maintain a **central record** of monitoring data, decisions, and corrective actions.
- Review and update monitoring and reporting processes periodically.

In short: Without proper monitoring and reporting, medium to high-risk (Route 2 and 3) contracts can lead to financial loss, service disruption, legal issues, and damage to public confidence.

Effective monitoring and reporting ensures that contracts deliver their intended benefits, remain compliant, and protect public resources and trust.

Feedback and Improved Communication

Open or close

Improvement opportunities can be identified by anyone engaged with you Organisation, both internally and externally.

Many improvement ideas can come from management, employees and supplier(s) operationally involved in the delivery of the service/ goods contract. Supplier(s) and employees can be particularly insightful as they are regularly exposed to operational inefficiencies which may not be visible higher up in the Organisation.

Your Organisation should seek feedback and should work to develop a culture where everyone in the Organisation is encouraged to look for, and suggest, operational improvements. All suggestions should be considered.

Incentives and Sanctions

Open or close

Incentives and sanctions should be used appropriately to maintain/improve the contract/supplier performance.

There are specific contract terms and conditions (T&Cs) that can be used to help drive contract compliance/performance. These should be incorporated into the contract T&Cs.

You should ensure that you understand the contract's specific T&Cs. Any incentives and sanctions must be appropriate and legally enforceable. **You must seek legal advice if you are in doubt as to the wording, appropriateness or legality of a proposed condition.**

Examples of incentives and sanctions which could be considered are listed below. These must not be applied autonomously. **Appropriate internal approval must be sought and received prior to implementation.**

Incentives could (subject to avoiding substantial modification) include:

- contract extension options as;
    - a longer contract opportunity could provide performance motivation;
    - payment by result, e.g. milestone payments (linked to defined deliverables).

Conditions of Contract could include:

- retention e.g. legitimately withholding payment if deliverables are not completed with genuine and notified reason, but compliant with previously agreed contract terms and conditions;
- legal action;
- termination of the contract. (Please note: you cannot terminate a contract with the aim of avoiding procurement rule obligations);
- collecting liquidated damages. Please note that Liquidated Damages is the amount which the parties designate during the formation of the contract for the injured party to collect as compensation should a specific breach occur.

For a sanction to be effectively enforced, sufficient evidence is required to justify the claim or action. It is therefore important to have clear records which could include records of; agreed service levels; notice periods; reminders; communications; agreements etc.

Any enforced incentive or sanction must comply with the agreed terms and conditions for the contract or agreement.

Approaches to Managing and Monitoring Sustainable Procurement Outcomes

Open or close

Sustainable Procurement outcomes, for example Fair Work Practices, must be an integral element of the contract and supplier management process. They should be included as a standard agenda item at supplier review meetings and considered alongside all other contract management matters.

It is important to ensure monitoring includes the use of any agency or sub-contractor workers throughout the duration of the contract. This will include any new members joining the workforce engaged on the contract's delivery.

Evidence should be sought from suppliers to demonstrate compliance with agreed contract conditions. This includes what the main contractor is doing to ensure Sustainable Procurement outcomes, such as Fair Work First commitments, down the supply chain to subcontractors and to agency workers. Evidence which should be sough can include, reviewing recruitment information which could include pay policy and the terms and conditions for workers involved in the delivery of the contract.

Where there are material concerns regarding a supplier’s compliance with any sustainable procurement commitments or the contractual obligations it has made, an Organisation could consider whether to undertake general sustainability audit of the contract.

Care and Support Services

Open or close

For Care & Support Services please also read the **Additional Guidance when Reviewing a Care and Support Service** and **Additional KPI Guidance documents,** which can be found at the bottom of this page.

In some areas Contract Management Officers routinely attend the Care Inspectorate’s post- inspection feedback sessions with service providers.

Contract management arrangements should identify what happens when the contract is not being delivered as agreed or, the agreed quality standards are not being met.

As an example, for Care and Support Services, the content management arrangements should describe the process for agreeing necessary improvements (where appropriate, in discussion with the Care Inspectorate) to the service and the timescales that will apply. The contract itself should specify the circumstances in which the public body has a right to terminate the contract (for example, insolvency, service failure, loss of registration).

Checklist

Checklist

Contract Monitoring & Reporting Checklist

This checklist is also available at the bottom of this page for you to download and use.

Area	Action	Frequency	Status / Notes
1. Performance Monitoring	Review KPIs, Balanced Scorecard feedback, milestones	Monthly / Quarterly	
	Compare deliverables against contract requirements	Monthly / Quarterly	
	Conduct supplier meetings to discuss performance	Monthly / Quarterly	
2. Financial Monitoring	Track budget vs actual spend	Monthly	
	Flag any variances or overspending	As needed	
3. Risk Assessment	Identify new or emerging risks	Ongoing	

	Update risk register & mitigation actions	Monthly	
4. Compliance	Verify adherence to contract terms	Quarterly	
	Ensure regulatory & policy compliance	Quarterly	
5. Issue & Escalation Management	Log incidents, delays, or non-compliance	Ongoing	
	Escalate issues to senior management if unresolved	As needed	
6. Reporting	Prepare performance & risk report	Monthly / Quarterly	
	Share report with relevant stakeholders	Monthly / Quarterly	
7. Documentation	Maintain records of decisions, actions, communications	Ongoing	
	Archive reports for audit & future reference	Ongoing	
8. Continuous Improvement	Review lessons learned & apply to future contracts	Annually	

Any documents you need are listed below

Management Information Example

(file type: docx)

Performance Review Meeting Template

(file type: docx)

Performance Review Meeting Example Agenda

(file type: docx)

Contract Monitoring and Reporting Checklist

(file type: docx)

Additional Guidance when Reviewing a Care and Support Service

(file type: docx)

Additional KPI Guidance for Care and Support Services Contracts

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