

Managing your contracts during COVID-19

Working in collaboration with the LGA, this article sets out guidance on **how to approach contract management** where your contractor has applied for **supplier relief**.

Procurement Policy Note 02/20 (PPN02/20) provides information and guidance for public bodies on payment of their suppliers to “ensure service continuity during and after the current coronavirus, COVID-19, outbreak.” The guidance calls for contracting authorities to act now to ensure that suppliers at risk are in a position to resume normal contract delivery once the outbreak is over. While there is uncertainty about timescales, the **public sector plays a key role in maintaining business continuity and ongoing service delivery**.

As a contracting authority, what approach should you be taking in terms of managing your contracts during this period of uncertainty? PPN02/20 sets out guidance relating to supplier relief. In order to qualify, suppliers must agree to work on an open book basis.

It is important that you find an approach that works for you and provides appropriate support to the contractor. **Guidance of what to consider is set out below.**

Communication is critical throughout this process. This includes communication with your contractors, and their supply chain, as well as internal communication. Whilst this is a time of uncertainty, it is important to achieve and maintain clarity of the situation PPN02/20 has been developed to support business continuity. Communication throughout this period will be important to limit the impact on businesses in the future.

Establish whether your contractor is an at-risk supplier. Clear and honest communication is needed to establish what other contracts they are continuing to provide/have lost and whether this puts them at risk. What impact has the pandemic had and what issues do they currently face? Where you believe they are an at-risk contractor, you have an obligation to discuss supplier relief measures with them, such as routine and more frequent payments. Work with your finance team to establish the process for making those frequent payments, and any appropriate reconciliation processes required.

Establish a consistent approach to managing contracts. Authorities procure a wide range of goods and services.

There will be a range of people across the council that have a role in managing contracts. Consistency in approach during this time is important. It provides clarity to suppliers and to those responsible for contract management and governance.

Have a clear escalation process so issues can be dealt with appropriately and in a timely manner. Establish effective reporting on existing and new contracts, including a clear decision making and approvals process for any contract variations to take into account any amendments owing to the application of supplier relief.

Establish the authority's priorities. These will form the key performance measures that are to be monitored across contracts. They are likely to differ depending on the nature of the contract. Seek to establish which performance measures can be relaxed during this period.

Establish and manage expectations – what the authority expects of the contractor and their supply chain, and what they should expect of the authority.

Contracts will need to be managed remotely, taking into account appropriate distancing measures. This is likely to differ from normal contract management practices, where the contract manager is able to review the performance of the contractor or see the goods being supplied. Set expectations for the information and reporting that will be provided. Work with the end user of the contracted services to ensure issues are reported and dealt with.

Where supplier relief has been applied there is a requirement that the contractor complies with open book accounting. Payments should relate to the costs of goods/services, not profit. Open book accounting can be a time-consuming process to monitor. Again, setting clear expectations is important, and making contractors aware of the consequences where they are claiming for increased payments which do not comply with PPN02/20.

Documentation is important throughout this period. Record agreed changes to payments, including clear documentation of any payments made, and reconciliation undertaken. Track changes to performance requirements, or volume adjustments. Maintaining accurate information about the contract is critical.

Whilst this is a period of change and uncertainty, ongoing communication and application of supplier relief will support business continuity, enabling contractors to resume normal contract delivery once the outbreak is over

If you have any questions about existing contract arrangements please contact Rosie.Pearson@local.gov.uk on 07900 134 899.