



SCHEDULE S: MARKET STEWARDSHIP PRINCIPLES

Introduction

The Market Stewardship Principles cover five key principles that must underpin the provision of the Services by the Provider under the Contract and its engagement with its Sub-contractors.

Each of the principles is set out in this Schedule S together with guidance as to how the Provider should respond to its obligations against each of the principles.

1. ADHERENCE TO APPROPRIATE MANAGEMENT OF RISK IN THE SUPPLY CHAIN

All contractual and other risk should be appropriately managed. This should extend to not passing risk down supply chains disproportionately, the management of volume fluctuations and other events and the management of Intellectual Property Rights.

- 1.1 **Meaningful work allocation.** The Provider should be able to evidence its approach in allocating work to its Sub-contractors in a manner which meets its obligations under this Contract. Where its Sub-contractor is an Operator as specified in Schedule K of the Contract (Approved Operators), the Provider shall refer appropriate work (including volumes, where appropriate) to that Sub-contractor.

The Provider shall record details of all issues arising out of complaints from its Sub-contractors that they have not received anticipated work (including volumes, where appropriate) and shall refer these complaints to the Authority.

- 1.2 **Systems for allocation of work to Sub-contractors.** The Provider should have systems for allocation of specific work to its Sub-contractors where the delivery of the Services is best served by calling on the particular expertise of certain Sub-contractors. The allocations should ensure that the Services are provided by a Sub-contractor and/or that the Provider receives goods and services from a Sub-contractor that has the correct level of expertise.

- 1.3 **Volume Fluctuations.** The Provider must demonstrate to the Authority's satisfaction how it manages any volume fluctuations and the reallocation of work to its Sub-contractors, where appropriate. The potential impact of both increases and particularly reductions in work allocation and associated drop in income, and actions to mitigate these risks, must be set out in the relevant Sub-contract.

- 1.4 **Spot purchase arrangements.** Spot purchase arrangements may be entirely appropriate but can be detrimental to supply chain partners as opposed to more standard contracts that guarantee an income. Sub-contractors generally, but also in seeking funding or additional business, may be disadvantaged in only being able to reference spot purchase contracts. The Provider should



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therefore ensure that wherever 'spot purchase' arrangements are utilised, options to transition to more stable contractual referral systems are reviewed at regular periods.

- 1.5 **Payment terms.** The Provider should detail a full exploration of payment terms and the impact of these on its Sub-contractors including the requirement for any clawback/repayment if targets (such as performance targets) are not met. The implications of this should be worked through for each year of the relevant Sub-Contracts.
- 1.6 **Minimum contract term.** Consideration should be given by the Provider to the needs of its Sub-contractors in relation to the contract term. The contract length, if inadequate, may damage the ability of its Sub-contractors in seeking new business or additional funding from elsewhere. Supporting statements around expected minimum term of contracts may be helpful to avoid this.
- 1.7 **Intellectual Property Rights (IPR).** The Provider should set out in its Sub-contracts an approach for the handling of Intellectual Property Rights to be established as part of the supply chain selection process.

2. ALIGNMENT OF ETHOS IN THE SUPPLY CHAIN

The Authority envisages that a sustainable relationship is fostered throughout the Contract term, which meets the expectations of both Parties according to the position established at Contract inception. In entering into a contractual agreement, there should be an understanding of what is important to both Parties and this will be reviewed throughout the Contract term to ensure that expectations are being met. The Authority's market engagement has reinforced that this is an important expectation for many organisations and key to building trust, especially in the early stages of such business relationships.

- 2.1 **Audit trail.** The Provider must maintain an audit trail of engagement with its Sub-contractors that demonstrates compliance with the principles established at the outset of their working relationship and shall include any additional support the Provider offers.
- 2.2 **Support declared in the bid.** The Provider must publish a statement with regard to the support that is being offered by the Provider to its Sub-contractors. Each support element must be itemised.
- 2.3 **Meetings.** The Provider must record details of the conduct of all meetings with its Sub-contractors and review these records to ensure that they are timely and appropriate and reinforce good relationship management.



3. VISIBILITY ACROSS THE SUPPLY CHAIN:

The Authority expects that it shall have visibility of participation within the supply chain. This should include payment terms against contractual targets, the volume of business handled by the Operators in Schedule K (Approved Operators) of the Contract (where appropriate), fair apportionment of work, and how the supply chain adjusts to changing volumes.

Supply chain sourcing, selection and refresh process. The Provider must ensure that the sourcing, selection and refresh process for the Operators in Schedule K (Approved Operators) of the Contract is transparent. This information must be made freely available to both the Authority and each of the Provider's Sub-contractors on request and shall form a constituent part of the Business Plan to be submitted annually in line with the requirements in the Service Specification Schedule B.

4. REWARD AND RECOGNITION OF GOOD PERFORMANCE

The Authority considers it important that organisations in the supply chain receive appropriate reward for good performance. Recognition of good performance should be shared across the chain and this should include the sharing of good practice. As industry forums are instigated, methods for sharing data will be developed.

5. APPLICATION OF THE PRINCIPLES OF THE COMPACT IN WORK WITH CIVIL SOCIETY ORGANISATIONS

Evidence of compliance and other issues. The Authority has an expectation that the Provider and its Sub-contractors follow the principles of the Compact when engaging with Civil Society Organisations (as that term is defined in the Compact).