

## SCHEDULE 23

### MARKET STEWARDSHIP PRINCIPLES

#### Introduction

The Market Stewardship Principles cover five key principles that must underpin the Contractor's provision of the Services and its engagement with all entities to which it subcontracts the provision of the Services.

Each of the principles is set out in this Schedule 23 together with guidance as to how the Contractor 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.

- (a) **Meaningful volume of work allocation.** The Contractor should be able to evidence its approach in allocating work to supply chain partners in a manner which meets its obligations under this Agreement. Where a supplier is specified in the Services Delivery Proposals as a supply chain partner, the Contractor shall refer meaningful volumes of work to that supplier. These volumes should be set out in the Services Delivery Proposals.

The Contractor shall record details of all issues arising out of complaints from suppliers that they have not received expected volumes of work and shall refer these complaints to the Authority.

- (b) **Systems for allocation of work to the supplier.** The Contractor should have systems for allocation of specific work to the supplier where the delivery of the sentence of an Applicable Person is best served by calling on the particular expertise of the supplier. The allocations should ensure that the Applicable Person receives services from a supply chain organisation that has the correct level of expertise. Examples would include suppliers who have the skills and experience required to work with Applicable Persons with a range of different needs such as protected characteristics, female offenders, ethnic minority offenders, BAME, and offenders with learning difficulties or dyslexia etc.
- (c) **Volume Fluctuations.** The Contractor must demonstrate to the Authority's satisfaction how it manages any volume fluctuations in offender referrals and the reallocation of caseload to the supply chain. 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 Industry Standard Partnering Agreement.
- (d) **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. Suppliers generally, but also in seeking funding or additional business, may be disadvantaged in only being able to reference spot purchase contracts. The Contractor should therefore ensure that wherever 'spot purchase' arrangements are utilised, options to transition to more stable contractual referral systems are reviewed at regular periods.
- (e) **Payment terms.** The Contractor should detail a full exploration of payment terms and the impact of these on the supply chain including the requirement for any clawback/ repayment if targets are not

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met. The implications of this should be worked through for each year of the Industry Standard Partnering Agreement.

- (f) **Minimum contract term.** Consideration should be given to the needs of the supplier in relation to the contract term. The contract length, if inadequate, may damage the ability of the supplier in seeking new business or additional funding from elsewhere. Supporting statements around expected minimum term of contracts may be helpful for Tier II and Tier III organisations to avoid this. A minimum three year term should be appropriate for most supply chain partnerships.
- (g) **Intellectual Property Rights (IPR).** The Contractor should set out in the Industry Standard Partnering Agreement 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 contractual period, 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 should go on to form part of the contractual agreement which 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.

- (a) **Audit trail.** The Contractor must maintain an audit trail of engagement with suppliers that demonstrates compliance with the principles established at the outset of their working relationship and shall include any additional support the Contractor offers.
- (b) **Support declared in the bid to supply chain organisations.** The Contractor must publish a statement with regard to the support that is being offered by the Contractor to suppliers. Each support element must be itemised.
- (c) **Referrals of Applicable Persons to non-contracted partners.** The Contractor may wish to refer Applicable Persons to organisations in its Contract Package Area who already deliver support services relevant to rehabilitation. The Contractor must not exploit the services delivered by these organisations, particularly those who do not enter into a formal contractual or grant funding arrangement with the Contractor. The Authority will require the Contractor to articulate how it is supporting and sustaining all organisations that the Contractor intends to refer a significant volume of Applicable Persons. In this context, 'significant' should be interpreted in proportion to the size of the organisation rather than the Contractor's caseload.
- (d) **Meetings.** The Contractor must record details of the conduct of all meetings with members of its supply chain 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 all parties have visibility of participation within the supply chain. This should include payment terms against contractual targets, the volume of business handled by supply chain partners, fair apportionment of referrals with regard to easier cases, and how the supply chain adjusts to changing volumes or demographics within the Contractor's Contract Package Area.

**Supply chain sourcing, selection and refresh process.** The Contractor must ensure that the sourcing, selection and refresh process for supply chain partners is transparent. This information must be made freely available to both the Authority and each potential supplier on request.

**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 other than through the data room 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 Contractor and its supply chain follow the principles of the Compact when engaging with Civil Society Organisations (as that term is defined in the Compact).