



Government
Commercial
Function

SUPPLIER FAILURE CONTINGENCY PLANNING TEMPLATE

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Supplier Failure Contingency Planning

This template is intended to provide a basic template for what you will need to cover in your contingency plan to ensure operations or services can be maintained in the event of supplier insolvency. In addition to the headings provided you should consider any specific issues related to your particular contract and service that need to be covered.

1. Introduction

1.1 Description of the services being delivered

Please set out relevant details on the services being provided, including:

- The name of the contract and a general description of what it involves and its deliverables;
- What the supplier provides and to whom (and who would suffer from a discontinuation of services);
- How this fits in to the Authority's objectives and HMG priorities;
- Whether this service forms part of a wider delivery eco-system;
- The key supplier's partners and dependencies in delivering the service;
- The competitiveness of the market for this contract; and
- A summary of other credible service providers in the market.

1.2 Contract details

Please add relevant details on the contract, including:

- The supplier and importance of the contract to them;
- The total contract value and a breakdown per annum;
- The contract length and end date;
- Whether this a profitable contract and the margins;
- The transparency of the contract and what information is held by whom;
- The type and cost of any significant investments the supplier needs to make;
- Any onerous contractual obligations, and their financial value; and
- The number of people employed by or used by the contractor to deliver it.

2. Governance and Decision Making

2.1 Senior Responsible Officer

Please provide the name, job title and contact details of the Senior Responsible Officer and his/her reporting line, with any relevant boards that he/she sits on. This person should own the contingency plan and be responsible for its delivery.

2.2 Governance

Please set out the governance arrangements should the contingency plan be enacted. The names and titles of all those on each of the boards/groups should be provided, along with a short reason for their attendance. For each Board/Group you should provide a brief outline of their key responsibilities, reporting requirements and decision making authority. Terms of Reference for each should be provided in an annex. Depending on the scale and nature of the contract you may choose to have one or more of the following:

- Joint Contingency Working Group;
- Programme Board; and
- Department Board.

You should set out how Ministers, Cabinet Office, and HMT will be kept informed and involved throughout the implementation of the contingency plan.

2.3 Contact Details

You should ensure you have contact details for key decision makers and advisers (including out of hours numbers if necessary) and conference facilities available if required.

3. Maintaining Essential Contracted Services in the Short Term

Operational continuity plans should build on the service continuity plans provided by the supplier and describe in detail the practical, financial or legal measures that would need be taken immediately following supplier failure (or in advance if failure is anticipated) to ensure:

- The immediate retention of the workforce or critical personnel and payment of staff;
- Continuity of business support systems and infrastructure (such as IT, ancillary services, utilities, sub-contractors);
- The availability of key assets, including physical access to them;
- Authority structures for the management of any interim arrangements and how to sustain them; and
- Detailed costing of these contingency measures (and analysis of wider options) including the ability to demonstrate value for money in financial terms.
- The Authority should assess its legal position under the contract and consider:

- What rights it has to step-in or terminate the contract;
- Whether it has any rights to call under a parent company guarantee to ensure continued performance of the contract;
- Whether funding can be provided to maintain service, in advance of insolvency if necessary, without breaching State Aid provisions; and
- What demands an Administrator or Liquidator might make in order to maintain the service and how to react to them.
- In common with contingency planning good practice, the plans should set out:
- Details of where responsibility for effecting the plans lie, and roles & responsibilities associated with it;
- The key deliverables and timescales for implementation;
- A communications strategy; and
- Details of any testing or the assurance process that will be undertaken for these measures.

Short term plans should also reflect the fact that contract failure may not occur at no notice, and therefore measures may need to be escalated as appropriate, according to a pre-defined set of triggers (with enough flexibility to respond to unforeseen scenarios).

The short-term plan should also identify the risk presented by disruption to the service or operations in terms of impact on customers/users, legal implications, security vulnerabilities, reputational damage to HMG and financial costs.

Due to the number of unique factors associated with contractor failure, consideration should also be given to a wide variety of practical elements including:

- Which other organisations/parties/users (e.g. the Public, Ministers) should be engaged and when;
- Any statutory regulations that need to be observed and how this would be achieved;
- The management of dependencies on sub-contractors;
- HMG liabilities and insurance;
- Transfer of any digital services; and
- The ability of these plans to be enacted outside of normal working hours.

4. Options for Alternative Commercial Solutions and Contract Management in the Longer Term, including any Temporary or Emergency Arrangements

This section should provide an appraisal at a high-level for each of the options proposed for replacing the supplier with another commercial solution, both in the medium term and in the interim should a temporary or emergency arrangement be required. In the event of supplier insolvency these may include transfer in house (or to a Government owned company) or a direct award to an alternative supplier. You will want to consider:

- What factors should be included in each option analysis e.g. market conditions/alternative suppliers, security considerations, etc;
- The triggers for action, including how these are monitored and by whom;
- Contractual rights to enact contingency plans;
- The mechanisms to take control of the service and the feasibility of each approach;
- The cost and resource requirement for each option;
- The liabilities which come with the contract;
- Assets that fall within the contract and ownership;
- The political/reputational impact of the contingency options; and
- Timeline for implementation.

4.1 Recommended strategy

You should indicate the recommended strategy for taking forward the contingency plan and the reasons why. This may be a mix of options, or different options under different scenarios.

5. Resource and Costs

5.1 Resourcing strategy

This section should set out a resourcing strategy for the preferred short-term and longer-term options as well as any temporary or emergency arrangements. This should include:

- The number, type and seniority of people involved;
- Where this resource will be sourced from, and person responsible for securing this; and
- The background processes that will be required (e.g. payroll, procurement).

5.2 Funding strategy

This section should set out a funding strategy for the preferred short-term and longer-term options including any temporary or emergency arrangements. This should include:

- Estimated costs for the preferred options. Your level of confidence in these costs should be indicated along with a % range of variance. This range will be based on the level of confidence;
- Possible sources of funding and/or financing;
- The level of engagement required by other government stakeholders (e.g. Treasury and Cabinet Office);
- Details on any liabilities associated with the contract and contingency plans, an estimate of their value a proposal for their handling; and
- Details of the person responsible for the budget and expenditure decisions.

6. Assets

6.1 Asset Register (including IP)

Please attach a detailed asset register for the contract and delivery of the service, where appropriate. This should highlight when it was last updated. This should include who owns it, an estimation of value, and an estimated buy out cost if relevant. A summary of the status of assets in the event of contract failure should be included, along with who is responsible for updating the asset register.

The register should include details of any key intellectual property (source code, etc) and data and set out how this will be protected and transferred to a new supplier or in house.

7. People

7.1 Contractor

List the names and roles of the key individuals on the supplier side involved in this contract that would be important to retain with a reason why.

7.2 Unions

List the unions that would need to be engaged in the event of a contractor failure, contacts for them, and the number of staff they represent.

7.3 Government

List the key departmental contacts who will be engaging with the rest of central government.

8. Wider Supply Chain

8.1 Sub-contractors

List the sub-contractors of the contractor and what they do on the contract. If possible this should include an estimation of their importance to, and dependency on, this contract with the location and number of staff involved. Any other interdependencies should also be mentioned here.

8.2 Contractual rights

Set out and explain the provisions in the contract to enable a transfer of subcontractors, to allow them to continue delivering services, and on what terms.

8.3 Monitoring

Set out what monitoring of subcontractors takes place, where can this be found and who is responsible.

9. Risk register

You should attach a detailed risk register for the contract and delivery of the service. This should highlight when it was last updated. This should include who owns the risk, an estimation of value, and mitigating action underway, along with who is responsible for updating it.