How safe is your supply chain?

In today’s changing business environment, supply chain management has taken on an even more high profile and important role. But where does the responsibility lie? IIRSM’s Technical Director Peter Hall explains.

The world has changed beyond decades – businesses are moving to cloud-based services and many use third parties to provide support on a day-to-day basis. With advances in technology and the need for greater efficiency, more and more services are being outsourced – be this the development and support of applications or hosting of services. The cost benefits of these approaches are quite simple to assess, but what about the risks?

There are two specific supply chains that many companies rely on:
- Companies that supply goods and materials
- Contractors and subcontractors providing specific services such as maintenance, construction, cleaning or catering

Each in their own right has implications for the both occupational health and safety and working conditions of suppliers and contractors.

Legal awareness

While every industry sector and job may require different legal and regulatory standards, the following legislation should be taken into account as a minimum:
- Health and Safety at Work Act
- Management of Health and Safety at Work Regulations
- Construction (Design and Management) Regulations (CDM) 2015
- Control of Substances Hazardous to Health Act 2006
- Equality Act 2010
- Data Protection Act

It is important to remember that while suppliers merely attend your site to deliver goods and materials, they are still subject to your site rules as well as national regulations.

Contractors employed to work on client sites could potentially pose significant health and safety risks. Any such risks are shared by the client company on whose premises the work is carried out as they have a duty to their own employees, others who may be affected (including other contractors), visitors and members of the public to protect them from any risk posed by the work being undertaken.

Companies may apply a number of different strategies to assess or impose occupational health and safety requirements on their suppliers and contractors. Many of these strategies are often part of a broader sustainable supply chain management approach in collaboration with the company procurement department and operational management.

Below par

Many service companies and clients require the assessment of contractors to ensure that they not only meet legal and regulatory standards, but also that the company has the leadership, management organisation, processes and procedures, appropriate levels of insurance, financial resources and that all company management and staff have the skills, competence, knowledge and understanding to undertake the work they have been employed to do. This includes occupational health and safety, environmental and quality standards.

Unfortunately, there are many examples and reported court cases where subcontracted work has failed to meet the required standards, resulting in accidents, injury and potentially a worst-case scenario where someone loses their life. In addition, loss of property, equipment, production time, product and potentially key staff may prove costly where some are insufficiently insured or uninsured. Where legal procedures have been initiated, fines could be significant and dependent on the profitability of the company. Where a company has incurred a significant loss, recovery could take some time and subsequent insurance premiums could be increased.

The latest statistics from the HSE show that in 2014/2015, 586 cases were prosecuted by the regulator and 70 cases were brought by local authorities. A number of reported cases in 2016 describe where the company had not undertaken a thorough contractor assessment because of work pressures or a lack of understanding of regulatory compliance. This means they miss the opportunity to assess the contractor’s true capabilities.

Costly mistakes

The new regime in health and safety sentencing introduced in February 2016 (which came into force immediately, irrespective of date of offence) provided a definitive guideline for courts, which increased the potential fines significantly dependent on the offence category, culpability and harm.

Judging the capability of suppliers and contractors gives a business a clear indication of the skills and experience to proceed with their products or services, but is this sufficient? It is not uncommon for contractors to overpromise and underdeliver, potentially leading to legal proceedings against the contractor and reputational damage for the company.

Assessment of a contractor’s overall risk management structure and organisation, including its occupational health and safety management system, has become significantly more important to clients as getting it wrong is becoming more and more costly.

Assessing and managing a single contractor can be a complex and time-consuming undertaking for any organisation – regardless of its size – as there are a number of core elements that should be considered. Companies whose procurement departments have put in place a vendor approved list and outsource their non-core activities to a number of subcontractors may enlist one of a number of vendor assurance schemes that have grown over the last five to ten years and agree with them an appropriate standard each contractor must meet to be included on the approved list. Each vendor assurance scheme will charge an annual fee per subcontractor – this is usually paid by the subcontractor to be assessed and approved.

Keep it simple

Several of the current vendor assurance schemes are part of the Safety Scheme in Procurement (SSIP) Forum. The SSIP was founded in May 2009 following the Government’s report, Accelerating the SME Economic Engine: Through Transparent, Simple and Strategic Procurement. Supported by the HSE, SSIP aims to streamline prequalification and encourage straightforward mutual recognition between its member schemes.

SSIP is actively reducing health and safety assessment costs and bureaucracy in the supply chain, by making cross-recognition between member schemes as effective as possible, and highlighting the savings to buyers and suppliers. All SSIP member schemes have fully committed to the vision of driving unnecessary cost and confusion out of supplier health and safety assessment, and SSIP’s core philosophy is to enable effective cross-recognition between existing schemes.

Furthermore, the SSIP core criteria for assessments is aligned to the Government-backed construction pre-qualification document PAS 91, ensuring consistency within supply chain management.

More than 75,000 suppliers are registered with an SSIP member scheme and this information is readily accessible via the SSIP web portal – which is free to access and provides an easy way of finding out if a supplier holds valid certification and confirms compliance with the SSIP core criteria and UK health and safety legislation.

Eleanor Eaton, Chair of SSIP, quantifies the savings available to clients and suppliers from SSIP activity: “Since inception of SSIP we are pleased to advise mutual recognition has enabled the consolidation in excess of £41 million in addition to the time savings by all parties involved.” SSIP is keen to work with any organisation – regardless of its size – as there are a number of core elements that should be considered. Companies whose procurement departments have put in place a vendor approved list and outsource their non-core activities to a number of subcontractors may enlist one of a number of vendor assurance schemes that have grown over the last five to ten years and agree with them an appropriate standard each contractor must meet to be included on the approved list. Each vendor assurance scheme will charge an annual fee per subcontractor – this is usually paid by the subcontractor to be assessed and approved.

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