



# Public Document Pack STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB  
Telephone 01453 766321  
www.stroud.gov.uk Email: [democratic.services@stroud.gov.uk](mailto:democratic.services@stroud.gov.uk)

20 November 2023

## AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 28 NOVEMBER 2023** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm**

Kathy O'Leary  
Chief Executive

**Please Note:** The meeting is being held in the Council Chamber at Stroud District Council and will be streamed live on the Council's [YouTube Channel](#). A recording of the meeting will be published onto the [Council's website](#). The whole of the meeting will be recorded except where there are confidential or exempt items, which may need to be considered in the absence of press and public.

If you wish to attend this meeting, please contact [democratic.services@stroud.gov.uk](mailto:democratic.services@stroud.gov.uk).  
This is to ensure adequate seating is available in the Council Chamber.

### AGENDA

1. **APOLOGIES**  
To receive apologies for absence.
2. **DECLARATION OF INTERESTS**  
To receive declarations of interest.
3. **MINUTES (Pages 3 - 10)**  
To approve the minutes and the exempt minutes of the meeting held on 26 September 2023.
4. **PUBLIC QUESTIONS**  
The Chair of the Committee will answer questions from members of the public submitted in accordance with the Council's procedures.

#### **DEADLINE FOR RECEIPT OF QUESTIONS Noon on Wednesday, 22 November 2023**

Questions must be submitted to the Chief Executive, Democratic Services,  
Ebley Mill, Ebley Wharf, Stroud and can be sent by email to  
[Democratic.services@stroud.gov.uk](mailto:Democratic.services@stroud.gov.uk)

5. **MEMBER QUESTIONS**  
See Agenda Item 4 for deadlines for submission.

6. **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2023-24(Pages 11 - 28)**  
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2023-24.
7. **CONTRACT MANAGEMENT FRAMEWORK UPDATE (Pages 29 - 80)**  
To update the Council's corporate contract management framework following recommendations from the audit report.
8. **HALF YEAR TREASURY MANAGEMENT REPORT 2023/24 (Pages 81 - 96)**  
To provide an update on Treasury Management activity as at 30/09/2023.
9. **ANNUAL CODE OF CONDUCT REPORT 2022-2023 (Pages 97 - 100)**  
This report sets out a summary of the Code of Conduct complaints considered by the Monitoring Officer between the period 1 November 2022 and 31 October 2023.
10. **ANNUAL AUDIT LETTER (Pages 101 - 118)**  
To inform Members of the External Audit activity progress.
11. **STANDING ITEMS**
  - (a) Corporate Risk Register Update (Pages 119 - 130)
  - (b) To consider the Work Programme (Pages 131 - 132)

#### **Members of Audit and Standards Committee**

##### **Councillor Nigel Studdert-Kennedy (Chair)**

Councillor Paula Baker  
Councillor Doina Cornell  
Councillor Laurie Davies  
Councillor Stephen Davies

##### **Councillor Martin Percy (Vice-Chair)**

Councillor Christopher Jockel  
Councillor Norman Kay  
Councillor Keith Pearson



# STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB

Tel: (01453) 754 351/754 321

www.stroud.gov.uk

Email: democratic.services@stroud.gov.uk

## AUDIT AND STANDARDS COMMITTEE

Tuesday, 26 September 2023

7.00 - 9.06 pm

Council Chamber

### Minutes

#### Membership

**Councillor Nigel Studdert-Kennedy (Chair)**      **Councillor Martin Percy (Vice-Chair)**

Councillor Paula Baker

\* Councillor Norman Kay

Councillor Doina Cornell

Councillor Keith Pearson

Councillor Stephen Davies

Councillor Ashley Smith

Councillor Christopher Jockel

\*Absent

#### Officers in Attendance

Strategic Director of Resources

Principal Accountant

Head of Audit Risk Assurance

Accountancy Manager

Democratic Services & Elections Officer

Senior Internal Auditor

#### Other Member(s) in Attendance

Councillor David Mossman

#### ASC.001      Apologies

An apology for absence was received from Councillor Kay.

#### ASC.002      Declaration of Interests

There were none.

#### ASC.003      Minutes

**RESOLVED** That the Minutes and Exempt Minutes of the meeting held on 18 April were approved as a correct record.

#### ASC.004      Public Questions

There were none.

#### ASC.005      Member Questions

There were none.

**ASC.006**     **Unaudited Statement of Accounts 2022/23**

The Principal Accountant introduced the report and explained that it was a statutory responsibility of the Council to prepare and ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. He highlighted the following key points:

- The Chief Financial Officers Narrative report could be found on pages 21-35.
- The statement of accounts was published and signed by the Section 151 Officer on the 31 May 2023, as seen on page 37, which was within the statutory deadline.
- The movement of reserves (page 41) showed an increase of £4m in usable reserves and an increase of £47.5m in unusable reserves. This was largely due to an increase in property valuations and the pension scheme, further details of which could be found in the breakdown table on page 40.

Councillor Davies questioned whether it was okay that the information regarding the Committee Chairs was now out of date. The Principal Accountant confirmed that the information within the accounts was correct at that time, it was a fixed position.

In response to Councillor Smith, it was confirmed that the Gloucestershire Economic Growth Joint Committee (GEGJC) had met for the last time and would be replaced with a new committee which would likely be confirmed at the next Full Council meeting.

Councillor Percy commended the report in light of such economic uncertainty.

Councillor Pearson proposed and Councillor Percy seconded.

The Chair, Councillor Studdert-Kennedy, commended the Officers for their hard work.

After being put to a vote, the Motion was carried.

**RESOLVED To approve the unaudited Statement of Accounts for the year ending 31 March 2023.**

**ASC.007**     **External Audit Plan**

The Strategic Director of Resources introduced the report on behalf of Deloitte who were unable to attend the meeting. He explained that the External Audit Plan set out the scope of the work they had planned to undertake and how this would be reported. The report identified significant risks they felt would be worth investigating and how they would report on value for money for the Council. The Strategic Director of Resources informed the Committee that the fees were likely to increase following this year due to renewed procurement arrangements.

In response to Councillor Cornell, the Strategic Director of Resources confirmed that they were given advanced notice of a large change in fees when possible, however often this was less notice than hoped.

Councillor Percy queried the date range at the top of page 152. The Strategic Director of Resources confirmed that was an error and should be from 1 April 2022 to 31 March 2023.

**RESOLVED To note the update from External Auditors Deloitte.**

**ASC.008     Quarter 1 2023/24 Treasury Management**

Principal Accountant introduced the report and highlighted the following salient points:

- Table 1 on page 166 set out the specified investments which had a 4.276% rate of return.
- Table 2 on page 167 outlined the return from each fund investment and their capital value.
- Paragraph 10 detailed that there had been a breach with the investment in Barclays, it further explained that the full fund had since been withdrawn from Barclays due to their low Environmental, Social and Governance (ESG) rating.
- Table 3, page 168, showed a snapshot of the investments with their ESG rating. Barclays Bank Plc was the lowest on the ESG grading scale.
- The remaining tables showed the returns of various types of investments and included a benchmark for comparison.

In response to Councillor Baker, it was confirmed that the Lothbury investment remained unchanged at present however an exempt paper was included in the previous Full Council papers with further details.

Councillor Davies queried why the investments in table 2 were receiving a positive return yet the investment had decreased. The Principal Accountant drew attention to table 6, on page 170, which detailed the capital variation.

Councillor Jockel questioned how the ESG rating was calculated. The Principal Accountant explained that an external company called Camdor were responsible for analysing the market and providing the ESG ratings.

In response to Councillor Percy, it was confirmed that:

- Notice had been given to remove the investment with Barclays however this would not be instantaneous.
- The ESG rating was the fourth consideration when investing, behind security, liquidity and yield.

In response to Councillor Davies it was confirmed that Barclays had been made aware of the reasons for divesting.

Councillor Pearson queried whether the ESG rating was subjective because it was an opinion from an external company. The Principal Accountant explained that Camdor had a methodology in order to provide the ESG rating however it was still a formative market and therefore should improve over time as more companies expanded to include ESG.

In response to Councillor Percy it was confirmed that the contract with Camdor was refreshed annually as part of an operational Officer decision however Members were responsible for approving the Ethical Investment Policy annually at Committee. It was agreed to invite Camdor back following a change in the Committee Membership to explain further about ESG ratings.

Councillor Baker proposed and Councillor Pearson seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To accept the treasury management activity first quarter report for 2023/2024.**

**ASC.009**     **Annual Governance Statement 2022/23**

The Strategic Director of Resources introduced the report and explained that this report was historically compiled by the Internal Audit Team however this year and going forward it would be compiled by the Monitoring Officer with the support of Internal Audit. He highlighted the action plan at Appendix B and provided a brief update of the implemented changes including the newly created Corporate Governance Working Group.

In response to Councillor Davies it was confirmed that the information within the report was correct at that moment in time although some things had since changed.

Councillor Percy asked whether the actions would be input to the new performance monitoring system, Ideagen. The Strategic Director of Resources agreed to take the suggestion on board.

The Chair, Councillor Studdert-Kennedy, asked for an update regarding the Corporate Recovery Plan listed on page 202 as it was nearing its target date. The Strategic Director of Resources agreed to provide an update at the next Committee meeting.

It was agreed, in response to Councillor Pearson, to amend references of Pentana to its new name Ideagen (formerly known as Pentana).

Councillor Percy proposed and Councillor Cornell seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To:**

- a) **Approve the Annual Governance Statement 2022/23; and**
- b) **Note that regular reports on progress against the 2023/24 action plan will be presented to the Audit and Standards Committee**

**ASC.010**     **Local Code of Corporate Governance**

The Strategic Director of Resources introduced the report and explained that it had been reviewed and refreshed in line with the CIPFA/SOLACE framework. He further explained that it contained the framework to effectively review the governance arrangements at the council.

Councillor Cornell asked for an example of how it would improve the council's governance arrangements. The Strategic Director of Resources explained that it provided a breakdown of which responsibilities were discharged by certain committees which removed any potential ambiguity. It was also responsible for the creation of the Corporate Governance Group which would be following up with Audit recommendations to ensure completion, whereas in the past there was only a formal process to follow up with the limited assurance recommendations.

Councillor Percy stated that the report didn't discuss the communication and connection between the committees and various groups. The Strategic Director of Resources agreed to take the comments back to the Monitoring Officer.

Councillor Cornell proposed and Councillor Percy seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To adopt the Local Code of Corporate Governance.****ASC.011 Annual Report of the Chair of the Audit and Standards Committee**

The Chair, Councillor Studdert-Kennedy briefly introduced the report and asked the committee for any comments or questions.

Councillor Pearson highlighted an error in the purpose of the report on page 215 which referred to 2021-22 when it should have read 2022-23. He also highlighted that it mentioned the review of the 2021-22 statement of accounts. The Strategic Director of Resources confirmed that the purpose of the report should have read 2022-23 however the accounts were correct as they were reviewed the previous year.

Councillor Davies queried the decision to recommend to full council as the report had already been approved at the July Council. The Strategic Director of Resources explained that, due to the cancellation to the previous Audit Committee, the report had already been taken to Full Council. However, they felt necessary to also bring it to Audit and Standards.

The Councillors agreed to a friendly amendment to remove part b from the resolution.

Councillor Pearson proposed and Councillor Smith seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To agree the Annual Report of the Chair of the Audit and Standards Committee 2022-23.****ASC.012 Annual Report of the Head of Audit Risk Assurance (ARA) 2022/23**

The Head of Audit Risk Assurance introduced the report and thanked the ARA Auditors for their hard work over the year which is reflected in the Annual Report. He also thanked the Members and Officers of SDC for their support which has enabled the work to be undertaken. He explained that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) to bring an annual report to Committee and proceeded to highlight the following:

- Section 1 set out the introduction and the purpose of the report and its regulatory background.
- Section 2 detailed the opinion. Overall the council's internal control, governance and risk environment had been granted an acceptable level of assurance.
- Section 3 outlined the code of ethics which must be abided by.
- Section 4 included a salient message from the work undertaken throughout 2022-23.
- Section 5 concluded the report with the performance parameters. 86% of the audit plan had been completed against a target of 85%.

Councillor Jockel asked what happened to the 14% of work which was not completed. The Head of ARA explained that it was all reviewed as part of the planning process when drafting the following years audit plan.

In response to Councillor Percy it was confirmed that in order to get a substantial level of assurance overall, the council couldn't have received any limited assurances or high risks throughout the year.

Councillor Pearson thanked the audit team for their hard work.

Councillor Baker proposed and Councillor Pearson seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To**

- i. **Assess, from the findings set out in this Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;**
- ii. **Note that the performance of Internal Audit meets the required standards; and**
- iii. **Note the Council wide counter fraud activity during 2022/23.**

**ASC.013 Counter Fraud Team Annual Report – 2022/23**

The Head of Audit Risk Assurance introduced the report and explained that this normally formed part of the Annual Report of the Head of Audit Risk Assurance, however this year it had been submitted separately in order to provide more detail.

Councillor Percy asked about the outstanding action highlighted in red on page 244. The Head of ARA explained that it was an internally set action to see if there were any improvements that could be made to the OPUS case management system and therefore was not critical.

In response to the Chair, it was confirmed that they would always seek to recover any losses due to fraud and prosecute where possible.

Councillor Pearson asked how Stroud District Council compared against other authorities of a similar size. The Head of ARA confirmed that Stroud did not have a higher risk of fraud when compared to other councils.

In response to Councillor Jockel, it was confirmed that there was a Covid 19 Business Grants audit included within Item 15 on the agenda with a substantial level of assurance.

Councillor Percy proposed and Councillor Davies seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To accept the progress against the Counter Fraud Annual Plan 2022/23.**

**ASC.014 Corporate Risk Register Update**

The Strategic Director of Resources introduced the report and explained that the report had been carried over from the cancelled meeting in July. However, the strategic risks were updated on a quarterly basis and therefore the information remained the same. He highlighted the main changes which included:

- SR1 – The risk score for high levels of inflation had been reduced from a 12 to a 9.
- SR2 had been re-assessed and remained unchanged.
- SR10 – The risk score for the delivery of the canal had been increased from a 4 to a 9.
- SR15 was added in July due to the National Pay Award not being agreed and the likelihood of strike action.



2023/24

Councillor Smith asked whether the severity of SR13, risk of successful cyber attack, should be increased to catastrophic. The Strategic Director of Resources agreed to take the comments back to the risk owner.

Councillor Baker questioned whether SR5 was still required on the risk register. The Strategic Director of Resources confirmed that the probability and severity of the risk had been decreased and was likely to drop off the risk register shortly.

Councillor Cornell offered her apologies and left the meeting.

In response to Councillor Jockel, the Strategic Director of Resources explained that a control score of 1 indicated that the control was in place and working effectively and a control score of 2 meant that there was still work required to get the controls in place.

### **ASC.015**    **To consider the Work Programme**

There were no comments on the Work Programme.

### **ASC.016**    **Internal Audit Activity Progress Report 2023-24**

The Head of Audit Risk Assurance introduced the report and explained that there was a total of 16 audit summaries since the last report to Committee due to the cancellation of the July meeting. 2 of the audits had been given Limited assurance, 1 was classified as exempt and the remaining 13 audits were acceptable and substantial.

Councillor Pearson raised concerns with the limited assurance report for Leisure Facilities at the Pulse especially since the recent decision to bring all leisure facilities in house. The Strategic Director of Resources explained that was one of the reasons the Head of Community Services had requested the audit.

In response to Councillor Jockel, it was confirmed that, when auditing the leisure facilities at the Pulse, the auditor found that they were not documenting the procurement process properly, often for smaller items.

It was agreed to get back to Councillor Percy with detailed information on why the risks were not considered as part of the Cleaner Estates Strategy.

It was agreed to update the Chair regarding the progress of the recommendation on page 274 as the deadline date was the 15 September 2023.

Councillor Baker suggested that, under the Cleaner Estates Strategy, SOLACE may be able to support to investigate the use of Community Protection Notices. The Strategic Director of Resources thanked Councillor Baker and agreed to take the suggestion back to the team.

The Chair proposed, on the advice of the Monitoring Officer, that Appendix B of Agenda Item 15 should be considered exempt and if agreed, any questions would be dealt with in closed session. The information was considered exempt as it related to the financial or business affairs of any particular person (including the authority holding that information).

After being put to a vote, the Motion was carried.

**RESOLVED** Pursuant to the provisions of Section 100 (A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of this item at agenda item 15 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act.

Councillor Pearcy proposed and Councillor Jockel seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To**

- i. **Accept the progress against the Internal Audit Plan 2023-24; and**
- ii. **Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).**

The meeting closed at 9.06 pm

Chair

## STROUD DISTRICT COUNCIL

### AUDIT AND STANDARDS COMMITTEE

28 NOVEMBER 2023

<b>Report Title</b>	<b>Internal Audit Activity Progress Report 2023-24</b>			
<b>Purpose of Report</b>	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2023-24.			
<b>Decision(s)</b>	<b>The Committee resolves to accept:</b> <b>i. the progress against the Internal Audit Plan 2023-24; and</b> <b>ii. the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).</b>			
<b>Consultation and Feedback</b>	Internal Audit findings are discussed with Service Heads and Managers. Management responses to recommendations are included in each assignment report.			
<b>Report Author</b>	Piyush Fatania, Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: <a href="mailto:piyush.fatania@gloucestershire.gov.uk">piyush.fatania@gloucestershire.gov.uk</a>			
<b>Options</b>	There are no alternative options that are relevant to this matter.			
<b>Background Papers</b>	None.			
<b>Appendices</b>	Appendix A – Internal Audit Activity Progress Report 2023-24			
<b>Implications (details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

#### 1.0 INTRODUCTION/BACKGROUND

- 1.1 Members agreed the Stroud District Council [Internal Audit Plan 2023-24](#) on 18<sup>th</sup> April 2023.
- 1.2 In accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#), this report details the outcomes of Internal Audit work carried out in accordance with the agreed Plan.

#### 2.0 MAIN POINTS

- 2.1 The Internal Audit Activity Progress Report 2023-24 at **Appendix A** summarises:
- i. The progress against the Internal Audit Plan 2023-24;
  - ii. The outcomes of the 2023-24 Internal Audit activity delivered up to October 2023; and
  - iii. Special investigations and counter fraud activity.
- 2.2 The report is the second report in relation to the Internal Audit Plan 2023-24.

### **3.0 CONCLUSION**

- 3.1 The report purpose is to inform the Committee of Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment. Completion of the Internal Audit Activity Progress Reports ensures compliance with the PSIAS, the [Council Constitution](#) and [the Audit and Standards Committee Terms of Reference](#).

### **4.0 IMPLICATIONS**

#### **4.1 Financial Implications**

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources  
Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

Risk Assessment:

Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

#### **4.2 Legal Implications**

Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Contact: One Legal  
Tel: 01684 272691                      Email: [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

#### **4.3 Equality Implications**

There are no equality implications arising from the recommendations made in this report.

#### **4.4 Environmental Implications**

There are no environmental implications arising from the recommendations made within this report.



# PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

## NOVEMBER 2023

Appendix A

**1. Introduction**

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of Internal Audit is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Standards Committee. This report summarises:
  - i. The progress against the Internal Audit Plan 2023-24;
  - ii. The outcomes of the 2023-24 Internal Audit activity delivered up to October 2023; and
  - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.
- 1.5 The following Assurance criteria are applied to Internal Audit reports:
  - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
  - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
  - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
  - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

## 2. Summary of 2023-24 Internal Audit work delivered up to October 2023

Audit	Assurance Level	Supporting Paragraph
Changing Places Grant	Substantial	2.1
Insurance	Acceptable	2.2
Contract Management Framework	Acceptable	2.3
Canal Restoration Project – Risk Management	Acceptable	2.4

### 2.1 Audit Activity: Changing Places Grant (Service Area: Communities)

- i. Assurance Level for this report: Substantial; and
- ii. No recommendations arose from this review.

2.1.1 **Scope** – In 2022-23, The Department of Levelling Up, Housing and Communities (DLUHC), provided a £80,000 grant allocation conferred by grant determination 31/6222. The aim of the audit was to provide assurance that the terms and conditions of the grant determination had been complied with.

#### 2.1.2 Key Findings

- i. The purpose of the Changing Places grant was to provide larger and accessible toilet facilities for severely disabled people. A need for improved facilities was identified at the Wildfowl and Wetland Trust (WWT) based at Slimbridge, Gloucestershire.
- ii. Audit review of Council records and WWT supporting documentation confirmed:
  - Receipt of the £80,000 DLUHC grant on 15<sup>th</sup> August 2022;
  - £80,000 eligible expenditure within 2022-23;
  - Inspection of the facilities by the Community Services Manager in November 2022 to ensure they were open and appropriately operating;
  - Registration of the complete asset with the Changing Places UK Consortium (which have subsequently been rated as suitable by the Muscular Dystrophy charity);
  - Complete and accurate project reporting through the DELTA government IT system;
  - A complete and accurate S151 Officer assurance report to DLUHC; and
  - Future revenue funding (asset maintenance) is to be met by WWT.
- iii. The audit outcomes provide substantial assurance that the statement of grant usage, in all material respects, fairly represents the 2022-23 eligible expenditure in accordance with grant determination 31/6222.

Appendix A

2.2 **Audit Activity: Insurance (Service Area: Resources)**

- i. Assurance Level for this report: Acceptable; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	0
Medium Priority:	3
Low Priority:	0
Rejected:	0

2.2.1 **Scope** – The internal audit reviewed the procedures and controls in place for the Insurance function. This included consideration of strategy, risk management protocols, claims handling, analysis and management, and specialist support and advice.

2.2.2 **Key Findings**

- i. Procurement of the majority of insurance is assisted by professional insurance advisers who provide a tender evaluation report. The tender evaluation report sets out the insurance cover options and costs in a clear and comprehensive manner. This approach will be applied for the Council’s renewal due later in 2023-24.
- ii. The remaining insurance is procured using the Council’s standard procurement process. This includes the use of a Procurement Plan form, which requires submission to the Principal Procurement Officer prior to commencement of a quotation or tender exercise of £25,000 or more.
- iii. Specialist insurance provision was found to be fit for purpose. This relates to cyber insurance, which is a key risk area given high reliance on IT infrastructure. It was confirmed there had been no claims against the Council’s cyber insurance cover at the point of audit.
- iv. During the audit it was established that insurance is procured on a comprehensive basis using a low level of excess. However, a clear strategy driving this approach and confirming clear future objectives was not provided.

**Risk:** Insurance coverage may not be comprehensive and complete.

**Recommendation:** The Council should ensure that a clear strategy is in place within which the insurance service can operate.

- v. The Insurance Team maintain a list of current insurers for each type of insurance cover.
- vi. Claim management processes and controls were found to be fit for purpose.
- vii. A sample of claims was reviewed during audit testing and found to be well managed. The volume of insurance claims is relatively low (approximately 60 claims during the current five-year insurance cycle).
- viii. Insurance claims data is collected, available and well controlled by the Insurance Team. However, there is no routine production of data analysis relating to claims. This means that trends or the opportunity to drive the overall strategy around future



## Appendix A

insurance procurement are missed. This could help to identify, for example, the level of acceptable insurance excess versus the potential saving on future insurance premiums.

**Opportunity:** There is an opportunity for greater use of insurance claim data analysis to identify trends.

**Recommendation:** The Council should review whether a regular set of statistics should be produced by the insurance team and shared with the Senior Leadership Team (SLT) or other appropriate Council forum.

**Risk:** The future insurance procurement strategy may not be properly informed, particularly relating to the level of acceptable excess versus the potential reduction in overall premium.

**Recommendation:** The Council should ensure for the 2023 insurance renewal process it has utilised all available data from claims over the last five years. This should be utilised to determine the level of acceptable excess for each category of insurance, as increasing the excess may reduce the overall premium.

### 2.3 Audit Activity: Contract Management Framework (Service Area: Resources)

- i. Assurance Level for this report: Acceptable; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	0
Medium Priority:	8
Low Priority:	1
Rejected:	0

2.3.1 **Scope** – This audit reviewed the procedures and controls in place with regard to the Contract Management Framework (CMF).

#### 2.3.2 Key Findings

- i. Key contract management controls have been introduced corporately by Policy and Governance from February 2022. This provides the Council with a strong foundation for a control framework that supports the management of contracts and our recommendations, once implemented, will serve to strengthen it further.
- ii. Inevitably, there are live contracts which pre-date the CMF and these contracts may not comply with the Council's recently introduced corporate policy and procedures.

**Risk:** The criticality of these contracts to the Council may not be understood and therefore the risks not effectively managed.

**Recommendation:** Consideration should be given to identifying any pre-existing contracts which may benefit from a CMF compliance review. Criteria could be based on value, sensitivity or length of time the contract has remaining. The criticality of the contract should be recorded on the 'internal use only' part of the Contracts Register.

Appendix A

- iii. Internal Audit conducted a detailed review of the CMF key controls. This review highlighted a number of positive actions, and also some areas where there is opportunity for the Council to further strengthen the robustness of its framework.
- iv. The current CMF policy and procedures provide a good foundation in this area. Internal Audit were pleased that the report to Audit and Standards Committee in February 2023 recognised the progress made on embedding the CMF and endorsed plans for its continued development.

**Recommendation:** Documents are updated to provide some additional guidance, and to set out the role of officers in some further key areas of the contract management process.

- v. Officers confirmed that it was the intention for all new starters to receive some basic contract management awareness training as part of their induction process. However, audit review identified 23 officers with start dates ranging from May 2022 to January 2023 who at the time of the audit, had not received this training.
- vi. In addition, Human Resources (HR) do not maintain a complete record of temporary, contract and agency staff. Sample testing of seven highlighted four instances of new officers not notified to the Policy and Governance team.

**Risk:** Officers do not fully understand their roles and responsibilities for the management of contracts resulting in poor contract management, increased costs, adverse publicity, and adverse publicity.

**Recommendation:** Contract management training requirements should be revisited, and consideration given to the benefits of a more specific, targeted, approach. The outcome of this review should be discussed with HR as it is important that the Policy and Governance team can rely on the lists provided.

- vii. The Council is currently reviewing its induction programme, and this provides an ideal opportunity to revisit the approach to contract management training. This should consider whether training for all staff remains relevant or if there should be a move to a more specific approach.
- viii. The CMF has been published on the staff intranet and promoted through the Leadership and Management Team (LMT) meetings. Some service areas, such as Canals, The Pulse, Building Control and Community Services have not taken up the offer of refresher contract management training (as of 31<sup>st</sup> March 2023).
- ix. 15 out of 19 (78.9%) LMT officers who responded to a questionnaire sent by Internal Audit to establish their awareness of the CMF highlighted the following:
  - One was not aware of the CMF;
  - Eight indicated that they had not, or could not remember receiving contract management training; and
  - Six did not perform the required contract management oversight and monitoring role but relied on the results of Internal Audit reports and Contract Managers advising them of any issues.

## Appendix A

**Risk:** Officers may not be fully aware of their responsibilities. This could result in poor management of contracts and financial losses, non-compliance with Contract Rules or Government legislation, adverse publicity, loss of reputation and poor customer service.

**Recommendation:** Appropriate refresher contract management training (focused on officer role and responsibilities) should be provided to all existing Contract Managers and Contracts Owners.

- x. As of 31<sup>st</sup> March 2023, the Policy and Governance team have completed two rounds of quarterly monitoring checks on a sample of contracts. The results have reported 100% compliance in the sample of contracts checked. Internal Audit are pleased to note that going forward even more robust scrutiny, verification and challenge of the information provided will be carried out by the Corporate Governance Group.

**Risk:** Contracts are not effectively managed resulting in increased costs, poor service delivery and adverse publicity.

**Recommendation:** Consider the benefits of updating the second line of defence regime checks to include verification of compliance with the CMF and substantiation of Contract Manager and Owner assessments. Undertake a periodic exercise to identify those creditors whereby cumulative payments require a contract and compare to the Contract Register.

- xi. As of 18<sup>th</sup> April 2023, there were no contract management risks recorded, on the Council's Performance and Risk Management System. At the point of audit, the Council was moving from the legacy performance management system, Excelsis, which was not well used by Managers to the new system, Ideagen Risk Management. This new system is currently being embedded with the aim to improve how the Council manages performance and risk.

**Risk:** Contract risks are not managed resulting in financial and reputational exposure and non-achievement of Council objectives.

**Recommendation:** The implementation of Ideagen Risk Management provides an ideal opportunity to determine any contract management risks which should be recorded on the risk management system, together with the mitigating controls and risk appetite.

- xii. There is also a lack of documented assurance that risk management is embedded within the management of contracts. Eight out of 10 contracts selected for review highlighted that risk management did not feature as a fixed agenda item for the supplier management meetings. In addition, a review of the relevant meeting minutes (three did not have minutes confirmed) contract risks were not discussed.
- xiii. The Strategic Director of Resources advised that whilst risks are not being formally documented, managers are informing Directors of the key risks of their service when discussing service performance at face-to-face meetings.

Appendix A

2.4 **Audit Activity: Canal Restoration Project - Risk Management (Service Area: Place / Resources)**

- i. Assurance Level for this report: Acceptable; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	2
Medium Priority:	1
Low Priority:	1
Rejected:	0

2.4.1 **Scope** – The procedures and controls in place for the Canal Restoration Project – Risk Management arrangements were reviewed.

2.4.2 **Key Findings**

- i. The overarching risk management structure of the project is fit for purpose. Representation from stakeholders on the various project teams is comprehensive. Minutes, notes and meeting inputs were all reviewed and found to be clear, thorough and supporting the information held within the project documentation. Enabling key decision makers to be well informed on the key risk areas, cost position and decisions required.
- ii. The risk management arrangements at an operational level are functionally effective and reflective of the current position on the project. The Project Manager maintains and updates the register on a regular basis. During audit interviews it is apparent that there is a comprehensive understanding of the detail behind each of the key red and amber risks.
- iii. The processes in place to facilitate the escalation of risk both within the project and to the Council at a strategic level are robust. The risk register, minutes and project documentation clearly identify the three major risk areas to the effective delivery of the project, and these have been discussed at the highest levels within the Council. The key risks are a) land acquisition and planning; b) finance; and c) engineering.
- iv. The finance risk relating to the funding gap is flagged on the risk register as red. March 2023 Board minutes include discussion of the funding gap. The Cotswold Canals Connected Board March 2023 minutes record this as the biggest risk to the project and explain that the National Lottery Heritage Fund (NLHF) require for the funding gap to be underwritten. Audit evidence shows this issue to have been discussed in detail and a critical path set out that documents actions to be taken over the next twelve months.
- v. The Council faces a challenging decision on whether to underwrite the funding risk.

**Risk:** The project is unable to secure sufficient funding to complete.

**Recommendation:** Full exploration of all avenues of potential additional funding (for example further NLHF support, major donors, and increased fundraising) should continue as part of the determination on the level of shortfall the Council is willing to fund. The maximum amount (including any contingency for future cost increases)

## Appendix A

should be clarified, clearly documented, and formally agreed by the Council and then communicated to relevant parties.

- vi. Given the current economic climate and cost inflation (particularly relating to labour and materials) the risk of further cost increases over the life of the project is a very real one.

**Risk:** The project suffers significant cost escalation.

**Recommendation:** The Council should ensure it has an effective ongoing monitoring programme to model, predict and monitor future costs. The project maintains significant data on current project costs, and this can be very useful if fully utilised in supporting the process of future cost forecasting.

- vii. There is a clear method for new risks to be identified and the Project Manager then controls the process for assessing, documenting, and communicating additional risks. It should be noted that the project is very mature, and the likelihood of significant new risks is low. It is much more likely that major changes to existing risks and their mitigations are required. There is a clear framework for the review and escalation of risk in place for the project.
- viii. Given the complexity of the project and the current substantial risk to funding, it does not seem practicable for the Project Manager to have the additional responsibility for fundraising.

**Risk:** The Project Manager is unable to discharge the responsibility for fundraising effectively given the level of work required on managing the whole project resulting in either (or both) roles not being effectively discharged.

**Recommendation:** The Council should make additional concerted efforts to fill the role, especially given the part that additional fundraising plays in the strategy of closing the funding gap.

- ix. The processes for effective oversight, monitoring, operational and management reporting, and governance over the Canal Restoration project are satisfactory.
- x. There are more advanced Project Management Software programmes and Risk Management tools available than the current method used within the project.

**Risk:** Using a proprietary risk management system may provide additional benefits if they are determined to be cost effective and worth the investment.

**Recommendation:** The Canal Project Director should consider the benefits and impact of using a revised Risk Management System. The decision should be approved at an appropriate level within the Council.

Appendix A

### **3.0 Counter Fraud Update – Summary of Counter Fraud Activities**

#### **3.1 Current Year Counter Fraud Activities**

- i. To date in 2023-24 there has been one new irregularity referred to the ARA Counter Fraud Team (CFT). This case is on-going, and outcomes will be reported on completion.
- ii. Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.
- iii. Many of the cases referred to the CFT involve intricate detail and, sometimes, police referral. This invariably results in a delay before the investigation can be classed as closed and the summary outcome reported to Committee.
- iv. In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.
- v. The CFT is continuing to work on a number of projects including but not limited to:
  - Updating of the Counter Fraud Strategy, Statement and Policy;
  - Reviewing the Council's Fraud Risk Management arrangements to provide advice and guidance on undertaking fraud risk assessments; and
  - Maintaining the Council's counter fraud intranet and webpages.

#### **3.2 National Fraud Initiative (NFI)**

- i. Internal Audit continues to support the NFI, a biennial data matching exercise administered by the Cabinet Office. Stroud District Council data for the 2022-23 NFI exercise has been uploaded successfully and is considered compliant.
- ii. Data matches have been released by NFI and are now available for the Council's teams to review.
- iii. Between 30<sup>th</sup> November 2023 and 19<sup>th</sup> January 2024, the Council will be uploading the Council Tax and Electoral Register data.
- iv. The full NFI timetable can be found using the link available on GOV.UK – <https://www.gov.uk/government/publications/national-fraud-initiative-timetables>.
- v. Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol.
- vi. Not all matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

### 3.3 International Fraud Awareness Week (IFAW)

- i. The Council is a supporter of IFAW. IFAW runs from 12<sup>th</sup> to 18<sup>th</sup> November 2023. As in previous years the CFT will share fraud awareness articles, details of the latest scams and how to avoid falling victim to the scammers.
- ii. As a supporter of the event the Council is entitled to use any of the official IFAW resources. This includes the use of the two below banners on official documents and correspondence, for example email footers.



### 3.4 National Anti-Fraud Network (NAFN)



- i. NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.
- ii. Membership is open to any organisation which has responsibility for managing public funds and/or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of local authorities are members and there are a rapidly growing number of affiliated wider public authorities including social housing providers.
- iii. Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.

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Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
<b>Completion of 2022-23 Work</b>									
1	C/fwd		Communities	Leisure Facilities – Stratford Park	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
2	C/fwd		Place	Canal Restoration Project – Risk Management	Assurance	High	Final Report Issued	Draft Report Issued	Reported to November 2023 Committee.
3	C/fwd		Place	Planning Enforcement	Consultancy	Consultancy	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
4	C/fwd		Resources	IT Applications Management	Assurance	High	Planned	Planned	Terms of Reference in discussion with ICT Management. Audit now due to commence in Quarter 3.
5	C/fwd		Communities	Cleaner Estates Strategy (Refuse)	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
6	C/fwd		Communities	Leisure Facilities – The Pulse	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
7	C/fwd		Communities	Safeguarding	Assurance	High	Draft Report Issued	Field Work Started	Request received from management to defer closing meeting to November 2023 due to staff absences.
8	C/fwd		Resources	Member Expenses	Assurance	Medium	N/A	Planned	Following the annual planning and risk evaluation exercise at the start of 2023-24 this audit did not meet the threshold for inclusion in the 2023-24 plan. Error in previous Committee update that the audit was planned.
9	C/fwd		Resources	Risk Assurance Mapping	Consultancy	Consultancy	Field Work Started	Field Work Started	Revised completion date is now late November / early December 2023 following further engagement required with the system consultant.
10	C/fwd		Council Wide	Contract Management Framework	Assurance	High	Final Report Issued	Draft Report Issued	Reported to November 2023 Committee.
11	C/fwd		Council Wide	Fit for the Future Programme	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
12	C/fwd		Resources	Insurance	Assurance	High	Final Report Issued	Field Work Started	Reported to November 2023 Committee.
13	C/fwd		Communities	Housing Voids – Follow-Up	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
14	C/fwd		Place	Planning Enforcement – Follow-Up	Assurance	High	Field Work Started	Final Report Issued	Error in previous Committee update that the audit was completed.
15	C/fwd		Place	Sustainable Warmth Grant (Home Upgrade Grant Phase 1)	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee. Final grant certification is required later in 2023-24.
16	C/fwd		Place	Sustainable Warmth Grant (Local Authority Delivery Scheme Phase 3)	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee. Final grant certification is required later in 2023-24.
17	C/fwd		Resources	Right To Buy	Assurance	High	Draft Report Issued	Field Work Started	Draft report issued to management in September 2023, management responses are being collated and it is intended to finalise the report in November 2023.
18	C/fwd		Resources	Treasury Management and Ethical Investments Strategy	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
19	C/fwd		Council Wide	Section 31 Biodiversity Net Gain Grant	Grant	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
20	C/fwd		Resources	Covid 19 Business Grants – Post Payment Assurance (Tranche 2)	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
<b>Work Planned for 2023-24</b>									
1	1	2 to 3	Communities	Out of Hours Emergencies - Limited Assurance Follow-Up	Assurance	High	Field Work Started	Field Work Started	To review the operating effectiveness of the control environment post implementation of the agreed management actions to address the recommendations emanating from the 2021-22 Internal Audit review.
2	1	2 to 3	Communities	Section 20 Leaseholder Service Charges	Assurance	High	Field Work Started	Planned	To review the effectiveness of the Council's arrangements for managing Section 20 Leaseholder Service Charges.
3	1	1	Communities	Social Housing Decarbonisation Fund Wave 1	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
4	1	3	Resources	Corporate Asset Management Strategy	Assurance	High	Planned	Planned	To review the adequacy and operating effectiveness of the arrangements for management of the Council's property portfolio.
5	1	2 to 3	Resources	ICT - Liberty Create	Assurance	High	Field Work Started	Planned	To review the adequacy and operating effectiveness of the Council's Liberty Create development platform.
6	2	2 to 3	Resources	ICT Back Up Process	Assurance	High	Field Work Started	Planned	To review the adequacy and operating effectiveness of the Council's ICT back up arrangements.

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
7	2	3	Resources	Payroll Administration	Assurance	High	Planned	Planned	To review the adequacy and effectiveness of the systems and processes following implementation of the new Human Resource and Payroll system. Initial meeting scheduled in November 2023.
8	2	2	Communities	Damp and Mould - Housing Stock	Assurance	High	Final Report Issued	Final Report Issued	Reported to September 2023 Committee.
9	2	TBC	Communities	Housing Management System-Project Management	Assurance	High	Planned	Planned	To review the effectiveness of the project management arrangements for implementation of the new housing management system.
10	2	TBC	Resources	Phase 3b Decarbonisation Scheme	Assurance	High	Planned	Draft Report Issued	To review the adequacy of the Council's arrangements for compliance with the terms and conditions of the funding agreement. Error in previous Committee update that the audit was in draft.
11	2	TBC	Communities	Homelessness Prevention	Assurance	High	Planned	Planned	To review whether the Council has appropriate arrangements for the prevention of homelessness to ensure compliance with legislation and regulation.
12	2	TBC	Place	Developer Contributions	Assurance	High	Planned	Planned	To assess whether the Council has a robust control environment for the administration, management, and monitoring of developer contributions.
13	2	2 to 3	Communities	Changing Places Fund Grant Determination	Assurance	Medium	Final Report Issued	Planned	Reported to November 2023 Committee.
14	NEW	2	Resources	Council Tax Energy Support Grant	Assurance	High	Final Report Issued	Final Report Issued	This audit was requested by Andrew Cummings, Strategic Director of Policy and Resources, due to the Dept for Levelling Up, requesting sight of an Internal Audit report. Reported to September 2023 Committee.
15	NEW	3	Resources & Place	Contain Outbreak Management Fund (COMF)	Assurance	High	Field Work Started	N/A	To assess the effectiveness of the governance arrangements to ensure compliance with the terms and conditions of the grant.
16	3	TBC	Resources	Risk Management Follow-Up	Assurance	High	Planned	Planned	To review whether the management actions to address the recommendations emanating from the 2021-22 Internal Audit review have been implemented in full.
17	3	TBC	Communities	Damp and Mould Private Sector	Assurance	High	Planned	Final Report Issued	To review the adequacy of the Council's arrangements for the management of damp and mould within the private sector. Error in previous Committee update that the audit was completed.
18	3	N/A	Resources	ICT Asset Management	Assurance	High	Deferred	Planned	Following discussions with ICT Management it has been requested that this audit is deferred to 2024-25 to feed into the annual planning risk assessment.
19	3	TBC	Resources	Cash and Bank	Assurance	High	Planned	Planned	To review the cash and bank reconciliation and monitoring arrangements to confirm the Council's financial transactions have been correctly and fully accounted for in its financial accounting system.
20	3	3	Resources	Brimscombe Port Management Accounts	Assurance	Medium	Field Work Started	Planned	To verify the accuracy of the management accounts to enable certification sign-off, to conform with the funding agreement.
21	4	TBC	Communities	HRA Delivery Plan	Assurance	High	Planned	Planned	This review will seek to determine whether the Council's HRA Delivery Plan is being periodically reviewed and refreshed. And, agreed actions are being actively progressed in line with the stated target delivery dates.
22	4	TBC	Communities	Business Continuity	Assurance	High	Planned	Planned	To review the adequacy of the Council's Business Continuity Management arrangements in the event of a cyber-attack.

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
23	4	TBC	Resources	ICT DR and Cyber Incident Response Arrangements LAFU	Assurance	High	Planned	Planned	To review whether the agreed management actions to address the recommendations emanating from the previous Internal Audit review have been implemented in full.
24	4	TBC	Resources	ICT Security Information and Event Management Process	Assurance	High	Planned	Planned	To review the adequacy and operating effectiveness of the Council's Security Information and Event Management processes.
25	4	TBC	Resources	People Strategy	Assurance	High	Planned	Planned	To review the effectiveness of the Council's arrangements for people management.
26	4	TBC	Communities	Emergency Planning	Assurance	High	Planned	Planned	To review the adequacy of the Council's Emergency Planning arrangements to ensure these are in compliance with the Civil Contingencies Act 2004.
27	4	TBC	Resources	National Non-Domestic Rates - Opening Debits	Assurance	High	Planned	Planned	To provide assurance that the NNDR opening debit has been correctly calculated, and that appropriate notifications have been received advising of the NNDR multipliers and transitional relief rates; and these are reflected in the NNDR system (CIVICA Open Revenues system).
28	4	TBC	Resources	Council Tax - Opening Debits	Assurance	High	Planned	Planned	To provide assurance that the Council Tax opening debit has been correctly calculated and reflected in the Council Tax system.
<b>Work Planned for Throughout 2023-24</b>									
29	Throughout	N/A	Resources	Grants - Contingency	Grants	High	Ongoing	Ongoing	Provision for reviews to assess the effectiveness of the governance arrangements to ensure compliance with the terms and conditions of the grant.
30	Throughout	N/A	Communities	Leisure Facilities - Local Authority Trading Company	Consultancy	High	Ongoing	Ongoing	Provision of risk and control advice as part of the future program for introducing the Local Authority Trading Company.
31	Throughout	N/A	Resources	Post Payment Assurance	Assurance	High	Final Report Issued	Final Report Issued	Delivered through the Council Tax Energy Scheme activity - row ref 14. Council Tax Support Scheme review to be included in the 2024-25 audit planning risk assessment.
32	Throughout	N/A	Counter Fraud	Counter Fraud	Assurance	High	Ongoing	Ongoing	Counter Fraud activity progresses throughout the year and is reported at each Committee.

**Key:**

	The audit has started or will start on time.
	The audit commencement has been or is likely to be delayed.
	The audit is not likely to be undertaken in this financial year.

TBC:	To be confirmed.
N/A:	Not applicable.
C/fwd:	Carried forward from 2022-23

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**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**  
**TUESDAY, 28 NOVEMBER 2023**

<b>Report Title</b>	<b>Contract Management Framework update</b>			
<b>Purpose of Report</b>	To update the Council's corporate contract management framework following recommendations from the audit report.			
<b>Decision(s)</b>	<b>The Committee RESOLVES to approve the updated Contract Management Framework</b>			
<b>Consultation and Feedback</b>	LMT and Corporate Governance Group have been consulted.			
<b>Report Author</b>	Sarah Turner, Senior Policy and Governance Officer Email: <a href="mailto:sarah.turner@stroud.gov.uk">sarah.turner@stroud.gov.uk</a>			
<b>Options</b>	None.			
<b>Background Papers</b>	None.			
<b>Appendices</b>	Appendix 1 – Audit Recommendations with Management Response and additional comments for A&S Committee <b>The below appendices for the Contract Management Framework contain track changes from the original framework documentation:</b> Appendix 2 – Contract Management Statement of Principles (unchanged) Appendix 3 – Contract Management Policy (track changes) Appendix 4 – Contract Management Procedure (track changes) Appendix 5 – Software Contract Guidance (unchanged) Appendix 6 – Contract Management Plan Template (track changes) Appendix 6a - Contract Review Meeting agenda template (new) Appendix 7 – Contract Variation Form Template (unchanged) Appendix 8 – Contract Extension Form Template (unchanged)			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	Yes

## 1. Background

- 1.1 The Corporate Contract Management Framework (CMF) was approved by this committee in February 2022, with an agreement that an annual update would also be provided. The first annual update report was presented to the committee in February 2023.
- 1.2 The corporate contract management framework standardises our approach to contract management and consists of the following documents, a brief summary is provided below:
- Contract Management Statement of Principles - this document is to identify a set of principles that underpins our approach to contract management.

- Contract Management Policy - the purpose of the policy is to provide a clear and standardised approach to managing and administering contracts.
- Contract Management Procedure - this sets a foundation for the implementation of a consistent approach to contract management across all service areas, in order to drive value from new and existing contracts. It complements the Council's Procurement Strategy and recognises the aims and values set out within the National Procurement Strategy 2022.
- Various templates to support the new framework
  - Renewing software contracts guidance - Services are not going to replace or renew a software contract when all that is needed is an upgrade; however, the Council needs to have a procedure in place to manage software contracts; this document sets out the procedure for contract managers.
  - Contract Management Plan Template - sets out the plan for managing a contract including contract owners, objectives, mobilisation, performance, compliance, risks and issues, escalation and exit plan. It also has details of contract review meetings.
  - Contract Variation Form Template - this form sets out the rationale and authorisation for contract changes / variations
  - Contract Extension Form Template - subject to an extension provision in the original contract this form enables the extension of a contract within an appropriate timescale and incorporating evidence of satisfactory performance. It also includes an authorisation process.

1.3 ARA carried out an audit of the Contract Management Framework to test its effectiveness, and awareness of the framework across the authority. The recommendations with the associated management response, and the latest update for this committee are attached at Appendix 1 and summarised in the following section.

1.4 The Corporate Governance Group formed earlier this year, has met several times and reviews governance issues relating to procurement and contract management, also considering any amendments to the frameworks that need to be made.

1.5 The LMT / Managers dashboards are produced on a quarterly basis, highlighting any non-compliance issues, where these are not addressed at service level this are escalated to the CCG for consideration / action.

1.6 Attached appendices 2 - 8 show the suggested amendments to the CMF to reflect best practice and the audit recommendations.

## **2. Main Points**

### **2.1 CMF Audit Recommendations**

The recent audit report included 9 recommendations (8 medium and 1 low priority levels) and gave an overall assurance rating of 'acceptable'. The following table shows the recommendations, priority level, management response and current update:

Ref	Recommendation	Priority Level	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
1	<p>The CMF should be updated to reflect the enhancements identified by Internal Audit.</p>	<b>M</b>	<p>Recommendation agreed the Contract Management Framework will need to be revised following the Procurement Bill coming into law in Spring 2024, which is likely to involve significant change to our framework.</p> <p>However, these changes suggested can be incorporated into the CMF, with approval from the Strategic Director of Resources.</p> <p>The current Procurement Strategy is under review and due for approval at S&amp;R Committee in November 2023, and the current Risk Management Framework is under review and due for approval at A&amp;S Committee also in November. It is proposed to incorporate reference to the CMF in both revisions of strategy and framework to unify all 3 areas, this will include the role of the contract manager, the role of LMT and details about the 2<sup>nd</sup> line of defence processes</p>	<p>As a result of the new Procurement Bill the CMF will need to go back to A&amp;S Committee after the bill comes into force in Spring 2024</p> <p>The minor amendments can be incorporated in the CMF with approval from the Strategic Director of Resources in November 2023 after the Procurement Strategy and associated framework and the Risk Management Framework have been approved at committee</p>	<p>The Procurement Bill became law in October 2023. The Procurement Act 2023 is due to be fully in force in October 2024. The CMF will be amended to reflect the requirements of the Act and be approved at A&amp;S Committee.</p> <p>The amended CMF is being presented to A&amp;S Committee for approval.</p>
2	<p>Consideration should be given to identifying any pre-existing contracts which may benefit from a CMF compliance review. Criteria could be based on value, sensitivity or length of time the contract has remaining.</p> <p>The criticality of the contract should be recorded on the 'internal use only' part of the Contracts Register.</p>	<b>M</b>	<p>Consideration needs to be given to this recommendation in terms of the criteria to be applied for contracts to comply with the CMF. Length of time remaining in the contract will form an important part of this consideration.</p> <p>A proposed approach will be discussed at the next Corporate Governance Group meeting in October, including an implementation timetable</p>	<p>End of Q3 / start of Q4 to coincide with changes to the CMF, Procurement Strategy and Risk Management Framework</p>	<p>The Corporate Governance Group considered this recommendation at the meeting held on 5 October and agreed that initially only pre-existing contracts valued over the UK threshold will need to complete a contract management plan form and comply with the corporate guidance. Consideration will need to be given to the remaining length in time of the contract.</p>

			Subsequent guidance and communication for officers will need to be produced and promoted		
3	<p>The ongoing review of corporate induction provides an ideal opportunity for the Council to consider how contract management training could be better tailored, particularly for those officers with roles and responsibilities in this important area of work.</p> <p>Consideration should be given to the benefits of developing more specific contract management training packages for officers who are:</p> <ul style="list-style-type: none"> <li>i. Contract Managers who manage contracts; and</li> <li>ii. Contract Owners who perform the oversight and monitoring role.</li> </ul>	M	<p>Recommendation agreed.</p> <p>The new Corporate Induction days begin in October. It is agreed for the P&amp;G Team to have a specific procurement training slot for all new starters as part of the new Induction days. This approach means that the P&amp;G team will no longer co-ordinate their own procurement training for new starters thereby reducing the risk of anyone being missed.</p> <p>As part of the new Induction approach, specific training will be provided to new starters of grade 5 and above to take them through, procurement, contract management and risk management in more detail.</p>	<p>October 2023 HR &amp; P&amp;G Team Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members is being proposed.</p>	<p>The initial induction day has taken place and included a session on procurement and contract management.</p> <p>Further training is being planned for relevant officers and members following the approval of the Procurement Strategy and the amended Contract Management Framework to take place in Q4 23/24.</p> <p>Specific training for new starters of grade 5 and above is being developed.</p>
4	<p>Consider the benefits of updating the second line of defence regime checks to include verification of compliance with the CMF and substantiation of Contract Manager / Owner assessments.</p> <p>In addition, any pre-existing contracts which are deemed to be of key important (rec 2 above) should be subject to checks to ensure risks are suitably managed.</p> <p>Undertake a periodic exercise to identify those creditors whereby cumulative payments require a contract and compare to the Contract Register to ensure that contracts or framework agreements are in place. Also that they are recorded, providing assurance that the Contract Register is complete.</p>	M	<p>The Second Line of Defence checks can be strengthened, however there will always be an element of self-assessment. As set out in the current Second Line of Defence process, the self-assessment will always be followed up by P&amp;G team for accuracy.</p> <p>Also proposed to review at the Corporate Governance Group in October</p>	<p>As previously mentioned, changes to CMF, Procurement and Risk Management once approved will be promoted to officers end of Q3 / start of Q4</p>	<p>It is intended to widely promote and provide training following the changes to the CMF, Procurement and Risk Management Frameworks to officers and members.</p> <p>Non-compliance with the frameworks will continue to be raised through the manager's dashboards and through the Corporate Governance Group.</p>



5	<p>The Contract Owner should formally approve the completed Contract Management Form as evidence of their agreement with the information reported and acknowledgement of their accountability.</p> <p>A Contract Management form should be completed for all contracts over £25k, and the CMF clearly updated to reflect this. As part of the revision of the CMF the Corporate Governance Group should consider how it can further embed the requirements within the organisation. This is to ensure that Contract Management Forms are being fully and accurately completed, including the consistent evidencing of risk assessments.</p>	M	<p>Agreed</p> <p>The value at which a Contract Management Form should be completed will be discussed by the Corporate Governance Group at its meeting in October and the CMF will be updated following decisions made.</p>	<p>Q3/Q4 in line with proposed changes to other frameworks</p> <p>End of Q3 / Q4</p>	<p>The CMP form has been amended to incorporate sign off by the Contract Manager's Head of Service or their Service Manager. The CGG reviewed at the meeting in October and agreed that the threshold should be increased from £25k to £75k which links to the existing financial threshold where formal tendering is required, this is for contracts valued at £75,000 and over.</p>
6	<p>The implementation of Pentana Risk provides an ideal opportunity to determine any contract management risks which should be recorded on the risk management system, together with the mitigating controls and risk appetite. Risks may include area such as supply chain disruption, the impact of inflation and borrowing costs.</p>	M	<p>Agreed, a risk identifying non-compliance with the corporate guidance has been added to Ideagen (formerly Pentana).</p> <p>As part of the review of other frameworks this will be incorporated in the CMF to unify the approach to managing risks in contracts, for approval by the Strategic Director of Resources</p>	<p>Completed</p> <p>End of Q3 / Q4</p>	<p>Completed</p> <p>Identification and management of contract risks will be incorporated in the updated risk management framework guidance and included in the officer training.</p>
7	<p>Contract management training requirements should be revisited, and consideration given to the benefits of a more specific, targeted, approach. The outcome of this review should be discussed with HR as it is important that the Policy and Governance team can rely on the lists provided.</p> <p>Ideally this can also link in with the review of the Council induction programme which we understand to be underway.</p>	M	<p>See Managers Comments Section 3. Officers of Grade 5 and above will be provided with detailed training on procurement, contract management and risk management as part of the Induction events organised by HR.</p> <p>Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members is being proposed.</p>	<p>October 2023 P&amp;G Team and HR</p> <p>End of Q3 / Q4</p>	<p>The P&amp;G Team continue to work with Finance colleagues to ensure that all new starters have procurement and contract management induction training. This is now covered in the Corporate Induction days; however this will still be monitored by the P&amp;G Team and no access provided to SW Procurement Portal until officers have attended the Induction Day.</p>
8	<p>Appropriate refresher contract management training (focused on officer role and responsibilities) should be provided to all existing Contract Managers and Contracts Owners.</p>	M	<p>Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members will be</p>	<p>End of Q3 / Q4</p>	<p>As mentioned previously comprehensive training for officers and members is being developed for Q4 23/24</p>

			provided following approval of the revised Procurement Strategy in November 2023		
9	Consider the matters highlighted and update the CMF and any associated documents as deemed appropriate. The Strategic Director of Resources has delegated authority to make minor amendments.	L	To be completed as part of the minor changes to the CMF to be agreed by the Strategic Director of Resources	End of Q3 /Q4	The updated CMF presented to A&S Committee for approval includes the policy in the corporate format.

**2.2 Second Line of Defence**

The P&G Team have been carrying out the second line of defence reviews on a quarterly basis since October 2022, in relation to contracts valued over £75,000 awarded in the previous quarter.

Compliance with legislative requirements is reviewed, any non-compliance is raised initially with the contract owner, secondly with their manager. Any continued non-compliance is reported to the CGG.

**2.3 Procurement Strategy**

The updated Procurement Strategy is due for approval at Strategy & Resources Committee in November, this has been updated to reflect the Council Plan objectives and incorporates an annual procurement plan setting out key actions and activities for the year ahead and includes a suite of performance indicators to ensure progress is monitored and reported.

The Procurement Strategy also reflects the requirements of the Contract Management Framework.

The Procurement Strategy contains reference to the updated National Procurement Strategy for Local Government published in Autumn 2022 and incorporates the 3 themes of the NPS: Showing Leadership, Behaving Commercially and Achieving Community Benefits.

**2.4 The Procurement Act 2023**

The procurement bill referred to in previous reports was given Royal Assent in October 2023. It is due to be fully in force in October 2024 and the reforms proposed will place value for money, public benefit, transparency and integrity at the heart of procurement; they will modernise and unify systems and processes; and they will get tough on the poor performers and fraudsters.

The new Act will reform the UK’s public procurement regime, making it quicker, simpler, more transparent while remaining compliant with our international obligations. It will more effectively open up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts.

One of the changes that will need to be reflected in the CMF is the requirement to publish more information about contract performance during the term of the contract.

**3. Conclusion**

- 3.1 The Contract Management Framework standardises our approach to contract management with associated guidance and a toolkit, although well received there is still more work to be done to fully embed it in all service areas.
- 3.2 The P&G team will continue to promote and embed the CMF and the 2nd line of defence process throughout the authority by the mandatory staff inductions and service area training in person or e-learning.
- 3.3 This includes a comprehensive programme of training related to the revisions to the CMF specifically risks associated with contracts, the new Procurement Strategy once approved and the updated risk management framework of guidance.

## **4. Implications**

### **4.1 Financial Implications**

There are no direct financial implications from adopting the updated framework. Effective contract management is a vital component of mitigating risks and protecting Council resources.

Andrew Cummings, Strategic Director of Resources  
Tel: 01453 754115 Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

### **4.2 Legal Implications**

There are no direct legal implications as a result of this report. Officers and One Legal will work together to prepare for the implementation of The Procurement Act 2023 in October 2024.

One Legal  
Email: [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

### **4.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision.

### **4.4 Environmental Implications**

There are no significant implications within this category.

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## Audit Recommendations with Management Response and additional comments for A&S Committee.

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
1	<p>A review of the CMF documents by Internal Audit highlighted potential areas for improvement or enhancement:</p> <ul style="list-style-type: none"> <li>i. Cross reference to the Risk Management Procedures so that officers are aware of how to assess risk and determination of the level of contract management;</li> <li>ii. Officers to fully explain how they have determined the level of contract management on the Contract Management Form;</li> <li>iii. Make clear within the CMF the oversight and monitoring process by first and second line of defence;</li> <li>iv. Highlight the requirement for contract risks to be included as a standard agenda item on supplier contract management meetings.</li> </ul>	Officers are not fully aware of their contract management roles and responsibilities resulting in poor contract performance, financial losses, and reputation damage.	M	The CMF should be updated to reflect the enhancements identified by Internal Audit.	<p>Recommendation agreed the Contract Management Framework will need to be revised following the Procurement Bill coming into law in Spring 2024, which is likely to involve significant change to our framework.</p> <p>However, these changes suggested can be incorporated into the CMF, with approval from the Strategic Director of Resources.</p> <p>The current Procurement Strategy is under review and due for approval at S&amp;R Committee in November 2023, and the current Risk Management Framework is under review and due for approval at A&amp;S Committee also in November. It is proposed to incorporate reference to the CMF in both revisions of strategy and framework to unify all 3 areas, this will include the role of the contract manager, the role of LMT and details about the 2<sup>nd</sup> line of defence processes</p>	<p>As a result of the new Procurement Bill the CMF will need to go back to A&amp;S Committee after the bill comes into force in Spring 2024</p> <p>The minor amendments can be incorporated in the CMF with approval from the Strategic Director of Resources in November 2023 after the Procurement Strategy and associated framework and the Risk Management Framework have been approved at their respective committees</p>	<p>The Procurement Bill became law in October 2023. The Procurement Act 2023 is due to be fully in force in October 2024. The CMF will be amended to reflect the requirements of the Act and be approved at A&amp;S Committee.</p> <p>The amended CMF is being presented to A&amp;S Committee for approval.</p>

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
2	There are live contracts which pre-date the CMF and therefore not subject to compliance with the Council's corporate policy and procedures.	The criticality of these contracts to the Council should be considered to ensure that any key risks are identified, understood and where appropriate, action taken to mitigate them.	M	<p>Consideration should be given to identifying any pre-existing contracts which many benefit from a CMF compliance review. Criteria could be based on value, sensitivity or length of time the contract has remaining.</p> <p>The criticality of the contract should be recorded on the 'internal use only' part of the Contracts Register.</p>	<p>Consideration needs to be given to this recommendation in terms of the criteria to be applied for contracts to comply with the CMF. Length of time remaining in the contract will form an important part of this consideration.</p> <p>A proposed approach will be discussed at the next Corporate Governance Group meeting in October, including an implementation timetable</p> <p>Subsequent guidance and communication for officers will need to be produced and promoted</p>	End of Q3 / start of Q4 to coincide with changes to the CMF, Procurement Strategy and Risk Management Framework	The Corporate Governance Group considered this recommendation at the meeting held on 5 October and agreed that initially only pre-existing contracts valued over the UK threshold will need to complete a contract management plan form and comply with the corporate guidance. Consideration will need to be given to the remaining length in time of the contract.
3	<p>A review by Internal Audit of the contract management training provided by the Policy and Governance team to LMT, and starters was undertaken. This highlighted that the training was not focused on the differing roles and responsibilities, such as contract management (Contract Managers) and oversight and monitoring (contract owners – LMT).</p> <p>Procurement and contract management induction training is not tailored to specific job roles.</p>	<p>Inefficient use of resources resulting in increased costs.</p> <p>Officers do not fully understand their roles and responsibilities for the management of contracts resulting in contract failures, additional costs, adverse publicity, and loss of reputation.</p>	M	The ongoing review of corporate induction provides an ideal opportunity for the Council to consider how contract management training could be better tailored, particularly for those officers with roles and responsibilities in this important area of work.	<p>Recommendation agreed.</p> <p>The new Corporate Induction days begin in October. It is agreed for the P&amp;G Team to have a specific procurement training slot for all new starters as part of the new Induction days. This approach means that the P&amp;G team will no longer co-ordinate their own procurement training for new starters thereby reducing the risk of anyone being missed.</p>	<p>October 2023 HR &amp; P&amp;G Team Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members is being proposed.</p>	<p>The initial induction day has taken place and included a session on procurement and contract management.</p> <p>Further training is being planned for relevant officers and members following the approval of the Procurement Strategy and the amended Contract Management</p>

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
	<p>Six LMT officers advised Internal Audit that they did not perform any contract management oversight and monitoring. Reliance instead was placed on Internal Audit reports, Contract Managers advising them of any issues, and awareness of supplier contract meetings.</p> <p>The starter induction procurement and contract management training material have just one page on contract management. Areas such as assessing the criticality of a contract, supplier relationship management, and risk management are not covered in the training material.</p>			<p>Consideration should be given to the benefits of developing more specific contract management training packages for officers who are:</p> <ol style="list-style-type: none"> <li>Contract Managers who manage contracts; and</li> <li>Contract Owners who perform the oversight and monitoring role.</li> </ol>	As part of the new Induction approach, specific training will be provided to new starters of grade 5 and above to take them through, procurement, contract management and risk management in more detail.		<p>Framework to take place in Q4 23/24.</p> <p>Specific training for new starters of grade 5 and above is being developed.</p>
4	<p>The Policy and Governance team have commenced their second line of defence review. As at 31<sup>st</sup> March 2023 two quarterly reviews of a sample of contracts were complete.</p> <p>A review by Internal Audit of the five checks performed highlighted:</p> <ol style="list-style-type: none"> <li>The selection is based on contract values rather than risk criticality of the contract to the Council which would be a better</li> </ol>	Contracts are not effectively managed resulting in increased costs, poor service delivery and adverse publicity.	M	<p>Consider the benefits of updating the second line of defence regime checks to include verification of compliance with the CMF and substantiation of Contract Manager / Owner assessments.</p> <p>In addition, any pre-existing contracts which are deemed</p>	<p>The Second Line of Defence checks can be strengthened, however there will always be an element of self-assessment. As set out in the current Second Line of Defence process, the self-assessment will always be followed up by P&amp;G team for accuracy.</p> <p>Also proposed to review at the Corporate Governance Group in October</p>	As previously mentioned, changes to CMF, Procurement and Risk Management once approved will be promoted to officers end of Q3 / start of Q4	<p>It is intended to widely promote and provide training following the changes to the CMF, Procurement and Risk Management Frameworks to officers and members.</p> <p>Non-compliance with the frameworks will continue to be raised through the manager's dashboards and through the Corporate Governance Group.</p>

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
	<p>and more effective determinate;</p> <p>ii. One check is to confirm the contract is on the Contracts Register, but as the selection is made from the Contracts Register the result is always going to be positive;</p> <p>iii. Two of the checks performed relate to procurement, and another is for data storage; and</p> <p>iv. The Contract Manager / Owner self-assess compliance with the CMF.</p>			<p>to be of key important (rec 2 above) should be subject to checks to ensure risks are suitably managed.</p> <p>Undertake a periodic exercise to identify those creditors whereby cumulative payments require a contract and compare to the Contract Register to ensure that contracts or framework agreements are in place. Also that they are recorded, providing assurance that the Contract Register is complete.</p>			
5	<p>The Contract Management Form is a key document that is completed by the Contract Manager. It shows the risk criticality of the contract and the key contract elements such as key performance indicators, contract risks and supplier management meetings.</p> <p>The form is not formally verified and approved by the Contract</p>	<p>Loss of accountability and ownership resulting in mismanagement of the contract and financial losses.</p> <p>Poor contract management is not identified</p>	M	<p>The Contract Owner should formally approve the completed Contract Management Form as evidence of their agreement with the information reported and acknowledgement</p>	Agreed	Q3/Q4 in line with proposed changes to other frameworks	<p>The Contract Management Plan form has been amended to incorporate sign off by the Contract Manager's Head of Service or their Service Manager.</p>



Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
	<p>Owner as agreement of the information recorded and contract criticality. Also, that the Contract Manager has been trained and is appropriately experienced to manage the level and complexity of the contract.</p> <p>The CMF states that a Contract Management Form should be completed once the criticality of the contract has been assessed, which indicates it should be completed for all contracts over £25k. However, the Policy and Governance Checklist indicates that the form is only required for contracts with a value of £75k or over.</p> <p>A review of the Policy and Governance quarterly 2<sup>nd</sup> Line of Defence contract management checks highted that the risk criticality of the contract had been recorded in just two out of the five completed Contract Management Forms.</p> <p>The Contract Management Forms were also not always fully completed by the Contract Manager.</p>	resulting in non-compliance with the CMF, financial losses, and adverse publicity.		<p>of their accountability.</p> <p>A Contract Management form should be completed for all contracts over £25k, and the CMF clearly updated to reflect this.</p> <p>As part of the revision of the CMF the Corporate Governance Group should consider how it can further embed the requirements within the organisation. This is to ensure that Contract Management Forms are being fully and accurately completed, including the consistent evidencing of risk assessments.</p>	The value at which a Contract Management Form should be completed will be discussed by the Corporate Governance Group at its meeting in October and the CMF will be updated following decisions made.	End of Q3 / Q4	The CGG reviewed at the meeting in October and agreed that the threshold should be increased from £25k to £75k which links to the existing financial threshold where formal tendering is required, this is for contracts valued at £75,000 and over.
6	No contract management risks were recorded on the Council's Performance and Risk Management System. However, we note that at the time of this	Contract risks are not managed resulting in financial and reputational	M	The implementation of Pentana Risk provides an ideal opportunity to determine any	Agreed, a risk identifying non-compliance with the corporate guidance has been added to Ideagen (formerly Pentana).	Completed	Completed

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
	review, the Council was moving from the legacy performance management system, Excelsis, which was not well used by Manager's to the new, Pentana Risk system.	exposure and non-achievement of Council objectives.		contract management risks which should be recorded on the risk management system, together with the mitigating controls and risk appetite. Risks may include area such as supply chain disruption, the impact of inflation and borrowing costs.	As part of the review of other frameworks this will be incorporated in the CMF to unify the approach to managing risks in contracts, for approval by the Strategic Director of Resources	End of Q3 / Q4	Identification and management of contract risks will be incorporated in the updated risk management framework guidance and included in the officer training.
7	We have identified that not all new starters have received training. In addition, Human Resources do not maintain a complete record of temporary, contract and agency staff.	Officers do not fully understand their roles and responsibilities for the management of contracts resulting in poor contract management, increased costs, adverse publicity, and adverse publicity.  Temporary, contract and agency officers may not receive the appropriate, mandatory training or awareness of Council policies and rules	M	Contract management training requirements should be revisited, and consideration given to the benefits of a more specific, targeted, approach. The outcome of this review should be discussed with HR as it is important that the Policy and Governance team can rely on the lists provided.  Ideally this can also link in with the review of the Council induction programme which	See Managers Comments Section 3. Officers of Grade 5 and above will be provided with detailed training on procurement, contract management and risk management as part of the Induction events organised by HR.  Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members is being proposed.	October 2023 P&G Team and HR  End of Q3 / Q4	The P&G Team continue to work with Finance colleagues to ensure that all new starters have procurement and contract management induction training. This is now covered in the Corporate Induction days; however this will still be monitored by the P&G Team and no access provided to SW Procurement Portal until officers have attended the Induction Day.

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
		resulting in regulatory breaches, adverse publicity, and loss of reputation.		we understand to be underway.			
8	<p>A global email was issued by the Policy and Governance team to LMT officers in May 2022 advising them of the new CMF. The notification provided a link to the CMF documentation, advised them to cascade details to their managers, and also invited LMT to contact the team to arrange training for their officers.</p> <p>Some Service areas such as Canals, The Pulse, Building Control and Community Services have not taken up the opportunity of such training (as at 31<sup>st</sup> March 2023).</p> <p>Of the 15 out of 18 LMT officers who responded to Internal Audit's questionnaire on CMF awareness and training:</p> <ul style="list-style-type: none"> <li>i. One LMT officer responded they were not aware of the CMF; and</li> <li>ii. Eight indicated that they had not or could not remember receiving contract management training.</li> </ul>	Officers may not be fully aware of their responsibilities. This could result in poor management of contracts and financial losses, non-compliance with Contract Rules and or Government legislation, adverse publicity, loss of reputation and poor customer service.	M	Appropriate refresher contract management training (focused on officer role and responsibilities) should be provided to all existing Contract Managers and Contracts Owners.	Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members will be provided following approval of the revised Procurement Strategy in November 2023.	End of Q3 / Q4	As mentioned previously comprehensive training for officers and members is being developed for Q4 23/24

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
9	<p>The Council's Policy Development and Review Framework was first published in September 2021, which included a Policy template for officers to use.</p> <p>This Policy template has not been fully adopted and applied by the Policy and Governance team for the CMF. Specific omissions are a separate schedule to detail document responsibility, version control, and Policy and document review and approvals.</p>	Best practice and the latest version of a policy or procedure may not be followed.	L	Consider the matters highlighted and update the CMF and any associated documents as deemed appropriate. The Strategic Director of Resources has delegated authority to make minor amendments.	To be completed as part of the minor changes to the CMF to be agreed by the Strategic Director of Resources	End of Q3 /Q4	The updated CMF presented to A&S Committee for approval includes the policy in the corporate format.

## Contract Management Statement of Principles

The purpose of this document is to identify a set of principles that underpin our approach to contract management. These principles complement the contract management guidance.

**1. Ensure that contracts are known and understood by all those who will be involved in their management.**

Make sure that adequate resource is identified and appointed well before award of contracts and that there is an effective handover or transition from procurement to contract management.

**2. Be clear about accountability, roles and responsibilities.**

Ensure contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities at appropriate levels of seniority. Make sure contracts have a documented Contract Management Plan.

**3. Establish and use strong governance arrangements to manage risk and enable strategic oversight.**

Ensure that governance structures are proportionate to size and risk of contracts, are suitably empowered and support the business outcomes and objectives. Ensure appropriate business continuity and contingency plans are in place.

**4. Adopt a differentiated approach based on risk**

Distinguish between operational and strategic contracts, direct the most/strongest resource to contracts where the risks and rewards are highest. Consider a 'self-managing' approach with exception reporting for lower risk contracts.

**5. Manage contracts for business / public service outcomes.**

The owners of the required outcomes should be accountable for successful contract performance. Focus on successful outcomes and take account of public service and accountability obligations and risks.

**6. Accept that change will happen and plan for it.**

Develop flexible approaches to change through joint working with suppliers; accept that change will affect both parties during the contract life, but control costs with robust change control mechanisms. Ensure that senior level assurance and controls are in place to prevent changes from altering the strategic intent of the contract.

**7. Measure and report on performance and use KPIs and data efficiently to incentivise good performance.**

Administer contracts proactively and efficiently, making maximum use of benchmarking and performance measurement data. Use a balanced scorecard to measure 'hard' data such as KPI performance alongside 'soft' measures e.g. customer satisfaction and relationship management, with a focus on achievement of outcomes. React quickly to issues when they arise. Ensure KPIs and incentives are appropriate and proportionate to the contract.

Challenge KPIs and incentives regularly and ensure a mechanism to change and evolve them through the life of the contract.

**8. Drive continuous improvement, value for money and capture innovation.**

Actively use contract tools and provisions to leverage the relationship, continually drive value for money and seek out and implement innovative ideas for improvement.

**9. Accept that successful delivery of major projects is best achieved through a single fully integrated team.**

Where the supplier and the client work as a single team with one focus, delivery of the successful outcomes.

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# Contract Management Policy

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**Style Definition:** Heading 1: No bullets or numbering

November 2023

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Corporate Policy &  
Governance

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Stroud District Council  
Ebley Mill  
Stroud  
GL5 4UB

Email: [customer.services@stroud.gov.uk](mailto:customer.services@stroud.gov.uk)

Website: <https://www.stroud.gov.uk/>

Telephone: 01453 766321

<b>Document Responsibility</b>		
<b>Name</b>	<b>Document title</b>	<b>Service</b>
<u>Sarah Turner</u>	<u>Contract Management Policy</u>	<u>Corporate Policy &amp; Governance</u>

<b>Document Version Control</b>			
<b>Date</b>	<b>Version</b>	<b>Issued by</b>	<b>Summary of changes</b>
<u>October 2023</u>	<u>Version 2.0</u>	<u>Sarah Turner</u>	<u>Changes to policy following recommendations made in Audit report</u>

<b>Policy Review</b>			
<b>Updating frequency</b>	<b>Review date</b>	<b>Person responsible</b>	<b>Service</b>
<u>3 years</u>	<u>November 2026</u>	<u>Senior Policy &amp; Governance Officer</u>	<u>Corporate Policy &amp; Governance</u>

<b>Document Review and Approvals</b>		
<b>Name</b>	<b>Action</b>	<b>Date</b>
<u>Audit &amp; Standards Committee</u>	<u>Approve revisions to the Contract Management Policy &amp; framework</u>	<u>28 November 2023</u>



**1. Purpose**

1.1 The purpose of this Contract Management Policy is to provide a clear and standardised approach to managing and administering contracts for goods, services and works purchased from suppliers.

**What is Contract Management?**

1.2 Contract Management enables councils and their suppliers to meet their contractual obligations at an agreed cost and quality by monitoring the contract throughout its lifecycle. Circumstances may change over the life of a contract, so contract management also involves managing changes and variations in terms of scope, terms and prices. It also enables appropriate contract forward planning to ensure that the Council achieves its objectives and that procurement takes place in a structured way in compliance with the law and the Council's rules.

**Why is contract management important?**

1.3 The effective management of Contracts with suppliers is essential to the Council in maximising the benefits and achieving its corporate objectives. These benefits can be summarised as follows:

<b>Benefits of Contract Management</b>	
<b>Business Benefits</b>	<ul style="list-style-type: none"> <li>Maximises outcomes to the Council and our customers (i.e. the Council “gets what it is paying for”) by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.</li> </ul>
<b>Value for Money</b>	<ul style="list-style-type: none"> <li>Enables savings and benefits opportunities identified during the procurement or contract management process to be realised, whilst also ensuring the achievement of expected procurement outcomes.</li> <li>Enables further benefits through ongoing performance reviews, service improvements, supply chain improvements, innovation, etc.</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Reduces contractual risks through the robust contract management practices.</li> <li>Ensures the Council is also aware of, and complies with, its own contractual and legislated obligations.</li> </ul>

1.3 Specific policy objectives are set out in our Statement of Principles and are to ensure:

- Business needs are achieved;
- Standard approach is undertaken;
- Compliance with legislative and administrative arrangements;
- Support the objectives of the Council's Procurement Strategy;
- Contracts are managed in a manner that facilitates business delivery while minimising risk;
- Contracts are managed maximising financial and operational performance;
- Consistency in Council's procurement activities;

- All officers are adequately skilled and trained, and understand their roles and responsibilities under a contract.

**2. Scope**

- 2.1 This Policy commences in the Post-Contract-Award stage of the Procurement Life-Cycle. The Pre-Contract Award stage is covered by Council’s Contract and Procurement Procedure Rules (CPPRs) and Procurement Manual and guidance on the Hub
- 2.2 This Contract Management Policy applies to all Council officers and contractors that are involved in the management of supplier Contracts on behalf of Council.
- 2.3 This Policy applies to all Contracts and any other documents that create legally binding obligations on the Council for the procurement of goods, services and works which may include procurements which are simple in nature and low risk. Further, it applies to a Contract until all contractual obligations have been completed.
- 2.4 The following are excluded from this Policy:
- Employment contracts,
  - Non-binding Memoranda of Understanding,
  - Grants,
  - Partnering and collaborative contracts with other public sector organisations.

**3. Definition of Terms**

Term	Meaning
<b>Contract</b>	An agreement, exchange of letters, heads of agreement, deeds of agreement, binding memorandum of understanding, response to tender, grant application, trust deed and any other document which creates or which may create binding obligations on the Council and on the other party / parties to the contract
<b>Program Manager</b>	The responsible officer (usually a Senior Manager) for overseeing the contract and any major contractual changes and strategies. The Program Manager or Director (owner) appoints the Contract Manager.
<b>Contract Management</b>	Refers to all activities at the commencement of, during and after the contract period, to ensure that all contractual obligations have been completed.
<b>Contract Owner</b>	The Council officer who is ultimately accountable for the outcomes of the contract, usually the Strategic Director or Head of Service with the Delegated Authority. The Contract Owner approves contract variations, including extensions, as well appoints the contract management roles.
<b>Contract Manager</b>	The Council officer nominated to be responsible for the management of the administration and management of a contract.
<b>Contract Register</b>	A register maintained for all procurements valued at over £5,000
<b>Contract Variation</b>	Is an addition or alteration to the original contract and may include a change to the scope of the contract, value of the contract, the contract options to be exercised, contract prices and quantity purchased.
<b>Contractor</b>	The supplier or the service provider (the other party) under a contract.
<b>Value of a Contract</b>	The value of a contract is whichever of the following values (including VAT) is appropriate to the kind of contract concerned: <ul style="list-style-type: none"> <li>• The total estimated value of the project, or</li> </ul>

	<ul style="list-style-type: none"> <li>• The total estimated value of the goods, services or works over the term of the contract</li> </ul>
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**4. Policy Statement**

**4.1 Contract Management**

The function of contract management is the management of Contracts formed with Contractors to ensure delivery of goods, services and works as agreed over the life of the Contract.

The management of a Contract may extend beyond the current term of the contract when there are ongoing obligations associated with maintenance agreements, warranties and guarantees.

**4.2. Stages in the Contract Management Life Cycle**

- **Stage 1 - Contract Commencement:** How to initiate and plan the contract management process
- **Stage 2 - Contract Management:** How to manage and administer contracts
- **Stage 3 - Contract Close Out:** How to close and transition contracts

Stage 1 - Contract Commencement - starts before a contract is signed

- Successful Contract Management is highly influenced by activities performed prior to contract award.
- Ensuring that contract terms, conditions, scope and deliverables, KPI reporting and relationship management are clearly established in the signed contract and understood by all parties, is fundamental for effective Contract Management.

Stage 2 - Contract Management – runs until formal closure

- Properly managing supplier performance with respect to outcomes and deliverables clearly specified and agreed in the contract will help ensure Council and its customers obtain the business benefits and value for money within target timeframes.

Stage 3 - Contract Closure – the formal conclusion

- The contract close-out is the stage for closing-out Contract obligations and liabilities with suppliers.
- It may also include transitioning to another supplier for the goods, services or works.
- 

**4.3 Mandatory Requirements applying to contracts**

The following **minimum requirements** apply to all Council contracts. For contracts valued at ~~£25,000~~ **£75,000** or more, there are more detailed contract management activities you must follow:

- Officers must adhere to Council’s procurement policies, procedures and processes, specifically the Contract and Procurement Procedure Rules.

[Contract Management Policy](#)  
Stroud District Council  
[November 2023](#)

Appendix

b) Specific contract details must be entered into Council's **Contracts Register** - which is updated via the Hub [for contracts valued at £5,000 or over](#)

c) A **Contract Manager** will be identified in the procurement plan form.

i. The Contract Manager may manage a contract valued at more than their level of financial delegation. However, the Contract Manager must not approve or incur expenditure on goods, services or a project valued at more than their level of financial delegation. Note, this also applies to any changes (variations) to the original price of procurement.

d) Council developed and recommended **Contract Templates** must be used.

i. Officers must use Council developed and recommended contract templates at all times, or recognised suites of templates  
ii. Specific advice should be sought from One Legal or the Policy & Governance team during the planning stages of procurement to determine the appropriate terms and conditions that should apply.

e) All Contracts must include appropriate **clauses** in the areas of:

- Work Health & Safety;
- Quality Assurance;
- Environmental;
- Financial Capability;
- Insurance;
- Industrial Relations;
- Performance;
- Code of Conduct;
- GDPR.

That allow and support contract compliance and risk management, with having regard to project value, requirements and complexity.

f) All Contracts must include appropriate **Commercial clauses** in the areas of:

- Payments and Retentions (or security);
- Price Adjustments;
- Delay to Completion (or delivery); and
- Processes to Resolve Claims and Disputes.

That allow managing or regulating variations to the original contract, having regard to project value, contract requirements and complexity.

g) Obtain all relevant **approvals and licences** prior to commencement: of the contract planning and engagement (entering into a contract).

h) **Contract performance of all contracts valued at £75,000** or more must be regularly monitored, evaluated and reported.

i. A contract management plan must be completed, authorised and a copy emailed to the Policy & Governance Team

ii. This is required at least annually. At least quarterly meetings with the supplier over the term of the contract, and upon completion and upon conclusion of a contract.

~~ii-iii. Complete and document performance evaluations and register and records over the term of the contract and keep records of meetings, decisions, actions, issues and risks, in Council's records management system.~~

**4.4 Contract Variations**

All Contract Variations must be approved in writing in accordance with the contract and be approved by the appropriate delegated officer.

**4.5 Code of Conduct**

The Council Employee Code of Conduct must always be adhered to in the management of contracts on behalf of Council.

**4.6. Role of Contract Manager**

The responsible Contract Owner or Program Manager assigns the day-to-day management of a contract to the Contract Manager.

The Contract Manager has many and varied responsibilities in undertaking the day-to-day management of a contract. Some key responsibilities are outlined in the Responsibilities table.

For the purpose of this Policy, officers that are responsible for managing procurement that is simple in nature and low risk, will be considered a Contract Manager. Therefore, officers must manage all related legally binding obligations on the Council in an appropriate manner in accordance with this Policy.

**4.7 Contract Disclosures**

In accordance with relevant Public Contract Regulations and Transparency legislation the Council will maintain and publish a register of all Council contracts that records key information about each contract Council enters into with suppliers which has or is likely to have a value of £5,000 or more, excluding VAT.

**5. Responsibilities**

Position	Responsibility
<b>Employees</b>	<ul style="list-style-type: none"> <li>Are responsible for managing contracts in accordance with Council's contract management framework and in a manner that is appropriate for the complexity and risk of the procurement activity.</li> </ul>
<b>Policy &amp; Governance Team</b>	<ul style="list-style-type: none"> <li>Development of the Contract Management Framework.</li> <li>Maintaining Council Contracts Registers and appropriate disclosure of Contracts valued at £5,000 or more.</li> </ul>
<b>HoS and Managers – supported by the Policy &amp; Governance Team</b>	<ul style="list-style-type: none"> <li>Regularly monitoring and evaluating contracts valued at £25,000 or more and reporting on at least annually.</li> </ul>
<b><u>SLT and Corporate Governance Group</u></b>	<ul style="list-style-type: none"> <li>Overall implementation of the Framework.</li> </ul>

<p><b>Strategic Directors, HoS &amp; Managers</b></p>	<ul style="list-style-type: none"> <li>• Facilitation and oversight of contracts on the contracts register within their respective portfolio.</li> <li>• Appointment of a suitably qualified, capable and adequately skilled Contract Manager according to the level and complexity of a contract.</li> <li>• Ensuring the Contract Manager has adequate skills in managing contracts.</li> <li>• Assigning the day-to-day management of a contract to a Contract Manager.</li> </ul>
<p><b>Contract Manager</b></p>	<ul style="list-style-type: none"> <li>• Development, negotiation, execution and management of contracts in accordance with approved policies, procedures and processes.</li> <li>• Ensuring contracts valued at £5,000 or more are registered in Council’s Contracts register.</li> <li>• Day-to-day management of assigned contracts.</li> <li>• Clearly defining in contracts the performance standards, review mechanisms and deliverables required from contractors.</li> <li>• Ensuring contracts are managed in compliance with approved policies, procedures and processes and all client obligations contained in contracts are fully satisfied.</li> </ul>



# Contract Management Procedure

## Contents

1. Introduction
2. Purpose of Contract Management
3. Aims of this document
4. Level of Contract Management
5. Priorities
6. Contract Management Process
7. Contract Implementation
  - 7.1 End-user Information Packs
  - 7.2 Supplier / Buyer Events
8. Council-wide Joint Contracts
9. Software Contracts
10. Contract Management Plan
11. Contract Performance Review Meetings
- 11.12. Risk Management in Contracts
- 12.13. Change Control
- 13.14. Change Control Procedure
- 14.15. Contract Extension Procedure
- 15.16. Contract Failure Reviews and Reporting
- 16.17. Exit Strategy and Lessons Learned

Appendix 1 – Software Contract renewal checklist

Appendix 2 – Contract Management Plan

Appendix 2a – Contract Review Meeting agenda template

Appendix 3 – Contract Variation Template

Appendix 4 – Contract Extension Template





## 1. ~~Appendix 4~~ Introduction

This procedure has been created as part of the Contract Management Framework in conjunction with, the Contract Management Policy and Statement of Principles; it also compliments the Council's Procurement Strategy. Furthermore, it recognises the aims and values set out within the National Procurement Strategy ~~2018~~2022.

The Contract Management Procedure sets a foundation for the implementation of a consistent approach to contract management across all service areas, in order to drive value from new and existing contracts.

As well as implementing consistent cross-service processes for contract management, the Council aims to improve existing supplier relationships through increased effective engagement and at the same time maximise spend with local businesses and Small to Medium Enterprises (SMEs).

## 2. Purpose of Contract Management

The function of Contract Management is to:

- ensure a contract is successfully executed
- provide a formalised method of monitoring supplier performance against contract requirements, including risk management
- ensure that there is clarity of the roles and responsibilities by all parties relating to contract management
- monitor overall compliance by all parties to the terms of the agreement and contract, refining and improving key performance indicators (KPIs) and Service Level Agreements (SLAs) and service delivery through honest, open communication between the supplier and the Council, delivering improvements to both parties
- improve and develop relationships with key supplier representatives based on mutual trust and understanding, open communications and a joint approach to managing delivery
- realise estimated and planned savings through continuous monitoring of spend
- identify potential additional savings and benefits through proactive contract management
- co-ordinate the supply chain
- provide a focus for development of initiatives / innovation
- deliver learning and knowledge transfer
- drive continual improvement
- ensure effective and timely procurement planning

## 3. Aims of this Document

Supporting the objectives set out in the Council's Procurement Strategy, this procedure aims to provide a standard corporate approach and guidance to contract management, defining clear ownership for operational day-to-day management throughout the lifecycle of a contract.

This procedure will achieve its aims by defining the procedure for developing and maintaining close relationships with business partners and key providers, and creating a consistent, standard contract management process, applicable to all goods, services and works.

## 4. Determine Level of Contract Management

It is important when developing the Contract Strategy to determine the level of management required for the proposed contract once awarded, based on size, value and organisational risk, as this will influence and determine the frequency and content of supplier review meetings.

Guidelines are given below, but each service, will need to consider the appropriate level of management required for individual contracts, by considering factors such as:

- value and length of contract,

- business criticality and dependency,
  - number of customers / end-users,
  - public visibility,
  - openness to complaints or challenges,
  - risk,
  - performance criteria; and
  - compliance with requirements of governing bodies.
- **Low level** - ensuring compliance to the contract by monitoring management information from the supplier, end-user feedback, managing delivery, and compliance of the contract.
  - **Medium level** - managing the performance of the contract and the supplier through management information monitoring, end-user feedback and a minimum of one performance review meeting held per annum.
  - **High level** - managing the performance of the contract and the supplier using a combination of management information monitoring, and quarterly (or other frequency determined) meetings.

The table below gives examples of the level of contract management that a contract requires

<u>Level</u>	<u>Aim</u>	<u>Characteristics</u>
<u>High</u>	<p><b><u>Close Monitoring</u></b></p> <p><u>Ensure effective contract delivery and supplier performance, risk management / mitigation and maximisation of supplier and market development opportunities, monitoring and delivery of actions.</u></p>	<ul style="list-style-type: none"> <li>• <u>Contracts that have high value and/or high risk.</u></li> <li>• <u>Manage to ensure effective service delivery.</u></li> <li>• <u>Through effective contract management opportunities for supplier development and greater market knowledge can be identified.</u></li> <li>• <u>This includes managing the performance of the contract and the supplier using the foundation of medium level contract management.</u></li> <li>• <u>Annual review of Contract Management Plan.</u></li> <li>• <u>Conduct up to 4 contract review meetings per annum.</u></li> <li>• <u>Site visits where applicable.</u></li> <li>• <u>Any applicable “Medium” and “Low” characteristics.</u></li> </ul>
<u>Medium</u>	<p><b><u>Active Monitoring</u></b></p> <p><u>Ensure continuity of supply, value for money, risk management / mitigation and supplier performance. Monitoring and delivery of actions. Seek supplier development where possible. Retain/gain market knowledge.</u></p>	<ul style="list-style-type: none"> <li>• <u>Low/medium risk.</u></li> <li>• <u>There may be an abundant supply base and a chance to improve price or limited supply base for a non-business critical and/or high-cost item.</u></li> <li>• <u>Contract managers ensure continuity of supply through ongoing and effective contract management.</u></li> <li>• <u>Annual review of Contract Management Plan</u></li> <li>• <u>Typical contract management activity and tools include contract review meetings, use of KPIs, gathering user feedback, reviewing spend data, benchmarking costs, market intelligence, elements of supplier health check, and use of a risk register.</u></li> <li>• <u>Ensuring compliance to the contract by managing delivery of the contract using – cost, quality, delivery, service.</u></li> <li>• <u>Conduct up to 2 contract review meeting per year.</u></li> <li>• <u>Consider internal feedback with focus on specific problems</u></li> <li>• <u>Any applicable characteristics from “Low” level.</u></li> </ul>
<u>Low</u>	<p><b><u>Baseline Monitoring</u></b></p>	<ul style="list-style-type: none"> <li>• <u>Low value, low risk.</u></li> <li>• <u>Procurement requirements are non-business critical and there is an abundant supply base.</u></li> </ul>

Appendix 4	<p><u>Ensure continuity of supply and risk awareness.</u>  <u>Monitoring and delivery of actions.</u></p>	<ul style="list-style-type: none"> <li>• <u>Requirements may be one off.</u></li> <li>• <u>In general content management of contracts will include gathering management information, monitoring trends and maintaining awareness of key risks.</u></li> <li>• <u>Ensuring compliance to the contract by managing delivery of the contract using – cost, quality, delivery, service.</u></li> <li>• <u>Conduct up to 1 contract review meeting/site visit per year.</u></li> </ul>
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**5. Priorities**

Priority areas to achieve contract management objectives include the:

- Implementation of standardised templates for managing and documenting supplier meetings consistently across all commodity / category areas.
- Incorporation of a mechanism to review council performance and feedback within review meetings
- Introduction of management meetings with identified key suppliers for each category, with an aim of continuous improvement in the execution of contracts.
- Regular review of both contract performance and supplier performance through structured joint and service-inclusive meetings to improve output, savings and knowledge, and to reduce risk
- Encouragement of prime contractors to engage with local suppliers and SME’s through the inclusion of ~~Community Benefit / Sustainability~~ Social Value clauses.
- Standardisation of the supplier management process, and implementation of rigorous controls to manage the supplier database and transactions within Procurement systems.
- Continual review of the Contract management process to ensure it remains fit-for-purpose.

**6. Contract Process**

This document sets out the procedure that is used to manage contracts and the supplier relationship post-supplier selection and contract award. Equally, it applies to the management of existing contracts.

The Contract Management process begins with migration and mobilisation and continues through a post-contract award meeting with the successful supplier, which as a guideline, should be conducted within 1-3 weeks of the contract award. Contract award is after the standstill period (where applicable) and before the contracts are completed as the KPIs need to be included in the contract documents.

The purpose of this meeting is to discuss the contract implementation phase and agree roles, responsibilities, identify activities and agree SLA’s, KPI’s, timescales and expectations. It is important to keep in regular contact with the supplier during the contract implementation phase and to arrange meetings and maintain open dialogue throughout.

**7. Contract Implementation**

Contract Implementation consists of three distinct phases:

- **Mobilisation** - the process of moving from contract award to 'go-live' i.e. the point when a user can actually buy from the contract
- **Migration** - facilitating the movement of an organisation to a new contract post 'go-live'
- **Communication** – ensuring all stakeholders are aware of the contract and what it involves

Actions that should be considered to migrate and mobilise a contract include:

**7.1 End-User Information Packs**

An information pack may be required to communicate and publicise the contract to inform end-users of its content, which can contain key information about the use of the contract including:

- contract objectives, details of the goods and services available, prices, supplier contact details, ordering and invoice process, returns / complaints / escalation process, and Contract management process.

Any information pack should be proportionate to the contract, and should demonstrate how it delivers best value and provides information relating to the benefits of the contract, e.g. cost savings, KPIs, SLAs, improvements in quality and service.

## 7.2 Supplier / Buyer Events

Depending on the size, value and risk level involved with the contract, a useful way to raise awareness of the contract amongst end users is to organise a Supplier / Buyer 'launch' event to give stakeholders who have yet to meet as part of the selection and award stage, the opportunity to meet each other, and present details of the contract and what it affords. This is also an opportunity to distribute information packs / buyer's guides. Where a large number of users are affected, it may be useful to also publish a news item via the Intranet.

## 8. Council-wide Joint Contracts

Where services within the Council agree to carry out joint procurement of a contract to provide goods, works or services a lead service for the contract procurement and management will be identified as the Contract Manager.

The contract manager will be responsible for organising regular contract management meetings with the supplier and representatives from the internal services who are part of the joint contract. These meetings should follow the contract performance review meetings process as detailed in section 10.

## 9. Software Contracts

It is widely accepted that services are not going to replace or renew a software contract when all that is needed is an upgrade; however, there are certain parts of a contract that need to be reviewed and therefore a procedure in place to manage software contracts.

### Process to Review, Renew or Replace

This section gives guidance on how software contracts should be reviewed, renewed or replaced, taking into consideration the following matters:

- All contracts should have an end date / identify any extensions
- Corporate impact of change
- Support needed for change
- Interfaces
- Benchmarking
- Functionality - Doing what it needs to do (or not?),
- Value
- Risk
- Length been in place

Many companies lease systems and software on an annual basis and have to find a way of keeping track of renewal dates. Unfortunately, many software suppliers fail to notify customers of renewal dates and either continue to take direct debit payments or disable the software when payment is not received on time. Both can be equally detrimental to a business and can be avoided or mitigated by appropriate planning and monitoring.

It is important to review the cost and efficiency of leased services regularly to ensure that:

Appendix 4

- a) the performance still meets requirements; and
- b) financially, it is the best deal in the market place.

The same applies to annual software maintenance payments, domain name renewals and even I.T. equipment which are leased.

## 10. The Contract Management Plan

Once the contract implementation has been completed and the level of management determined, a Contract Management Plan, see Appendix 2 for an example, should be constructed which outlines:

- Roles & responsibilities
- Agreed level of management (low/medium/high)
- Contract objectives
- Performance Management Framework, e.g. KPIs & SLAs
- Mobilisation Plan
- Risks & issues
- Migration Plan
- Contract Compliance
- Escalation process (within supplier organisation and the council)
- Review meeting schedule

*This will need to be agreed with your supplier. All of these, in particular, the routes for escalation and the review meeting schedule should have been built into the initial Contract(s) Strategy and tender, with reference to the fact that a Contract Management plan will be developed.*

## 11. Contract Performance Review Meetings

Performance Review Meetings are an important part of the Contract Management process and provide Service Users and the Supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.

For contracts / suppliers where a **medium** level of management is being applied, there should be at least one performance review meeting per year. Meetings for Contracts / Suppliers where a **high** level of management is being applied should be held at least quarterly.

### Meetings should focus on:

- i Review of Actions and Minutes from previous meeting(s)
- ii Supplier Business Review, with updates on new products / product developments, customer-affecting issues (e.g. product issues, recalls), complaints, etc.
- iii Council Business Review / Service Improvement Plan Update
- iv KPI review – (to determine current level of performance (Improving / Degrading)
- v ~~Sustainability & Other Benefits Realisation~~ Social Value Delivery
- vi Review of risks and Issues
- vii Issues for escalation
- viii Financial Monitoring (Spend monitoring, P2P, Invoicing, financial stability).
- ix Areas of Improvement (e.g. Innovation, new process)
- x Change Control

These are suggested agenda topics for discussion however these will need to be adapted for specific types of contract and / or suppliers.

The initial performance review or inaugural or kick-off meeting should also include a 'Lessons Learned' session with the supplier on the tendering and contract implementation process, and cover areas such as roles and responsibilities, performance levels, invoicing arrangements, etc.

Meetings should recur as agreed until the contract approaches its completion, and documented (minutes, actions, change in performance) throughout, with actions followed up as agreed. Appendix 4

Minutes of meetings and agreed actions should be communicated to all stakeholders following each meeting (supplier & service area management, Policy & Governance Team for SLT reporting).

## **12. Risk Management in Contracts**

Risk management is a key part of contract management and contract risks must be identified, assessed, mitigated and monitored and regularly reviewed throughout the contract term. The Council's Risk Management Framework should be used to assess risks in contracts. Contract risks will need to be added to Ideagen and regularly reviewed.

The five most common types of contract risk are financial, legal, security operational and reputational risks.

Financial risk: this risk is the loss of money, the monetary loss can be caused by third-party bankruptcy, missing key contract dates, and auto-renewal of contracts without cost evaluation and analysis.

Legal risk: this risk exposes the council / supplier to litigation. It could be from breach of contract, infringing on intellectual property, failing to include key legal clauses, or missing compliance and regulatory requirements.

Security risks: This can happen when contract data is accessed or disclosed to unauthorised parties. If your data management practices are not compliant with privacy laws, you risk data breaches, which can cause further legal and financial losses and reputational damage.

Operational risk: this risk is any form of loss caused by inefficient internal or outsourced processes.

Reputational risk: this risk is often a fallout of financial, security, and legal risk, resulting in a negative public image.

## **12.13. Change Control**

Changes (variations) to services, procedures or contracts are likely to occur throughout the lifecycle of a contract, especially lengthy and / or major, strategic contracts, which could have an effect on many aspects of the contract including:

- Service delivery
- Scope of work
- Performance
- Costs
- Product availability / changes to specification / obsolescence / revision of rates
- Whether the contract continues to represent value for money

The primary aim in managing variations is to minimise their likelihood, however sometimes change is inevitable, therefore the specification and management of change (Change Control) is an integral and important part of contract management and administration. Change control procedures should be included within the contract and discussed at the inaugural meeting.

The respective roles and responsibilities of both parties in the change control process must be clearly identified, along with procedures for raising, evaluating, costing and approving change requests.

A single change control process should be applied to all contract changes. Flexibility does however need to be built into the process to deal with issues such as emergencies. A change control process should provide clear steps and clearly allocated ownership and responsibilities for:

- Requesting changes
- Assessment of impact
- Prioritisation & authorisation
- Agreement with provider

Appendix 4

- Control of implementation
- Documentation and communication of change
- Updates to terms & conditions where applicable

If a specific change, or cumulative changes significantly increase or decrease the scale or scope of the contract, the responsible Contract Manager must question the contract's ability to achieve best value and value for money overall.

Similarly, the Contract Manager must also ensure that any changes do not take the contract outside the scope of the original tender in relation to the UK thresholds advertisement or permitted extensions to contracts. When this is in doubt, the change should be referred to the Policy & Governance team or One Legal for guidance.

The same level of diligence should be applied to contract variations as that applied to letting a contract.

#### **1314. Change Control Procedure**

The change control procedure as detailed in the Contract should be used by services and supplier to enable changes to the contract, to provide clarity and documentary evidence of the change, and agreed actions. Appendix 3 details a contract variation template.

#### **15. Contract Extension Procedure**

Where a contract has an extension clause included, this should follow the contract extension procedure which includes the completion of the contract extension form see Appendix 4. This sets out the rationale for the contract extension with supporting evidence based on accurate and objective data, along with an appropriate authorisation for the extension.

There should be a timely review of contract performance well in advance of the proposed contract original expiry date.

#### **16. Contract Failure Reviews and Reporting**

Where severe and impactful underperformance has occurred in a contract, the Contract Manager must notify their Head of Service, Director and the Council's Monitoring Officer. Appropriate action must be taken as detailed in the contact terms and conditions.

A contract failure review must be undertaken and reported to Strategic Leadership Team for appropriate action to be taken and for lessons learned to be shared with staff.

A Head of Service or senior manager from a different service area and directorate from the service area where the contract failure has happened must undertake the review and produce a report, this must take place in a timely manner, within in a month of the contract failure. The report must, as a minimum, cover the following areas:

- Governance, process documentation, decision making and escalation;
- Definition of roles and responsibilities;
- Resource capability and capacity;
- Management information, reporting and contract data;
- Communication;
- Performance management and risk management,
- Measurement and monitoring of contract delivery; and
- Validation and assurance of supplier delivery and charges.

#### **1617. Exit Strategy and Lessons Learned**



As a contract progresses, the Contract Managers will have responsibility for ensuring that both parties are working towards the planned fulfilment and exit of the contract, and the procurement process for securing subsequent supply arrangements if required.

The Exit Strategy should involve a full review of the Contract's performance. This should include a 'lessons learned' review which incorporates feedback from end-users and the supplier.

The final review and lessons learned should be clearly documented and communicated to appropriate stakeholders, as it may inform any subsequent procurement for similar commodities in the future.

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## Reviewing, Renewing or Replacing Software Contracts

It is widely accepted that services are not going to replace or renew a software contract when all that is needed is an upgrade; however, the Council needs to have a procedure in place to manage software contracts.

This section gives guidance on how you should review, renew or replace your software contracts, taking into consideration the following matters:

- All contracts should have end date
- Corporate impact of change
- Support needed for change
- Interfaces
- Benchmarking
- Doing what it needs to do (or not?), functionality
- Value
- Risk
- Length been in place

### Software review checklist

#### Product:

- If perpetual licence – does the Council have the right to use unless breach?
- If term licence – are support and upgrades included?
- Licence types – is it concurrent, named?
- Licence definitions
- Affiliates usage permitted
- Do the Council have the ability to make backup, DR, TEST, DEV copies of software at no charge?
- Are pricing guarantees for incremental purchases included?
- Price increase caps on additional licences
- Electronic delivery of software
- Software warranty – time frame, language including free from time bombs
- Acceptance testing
- Existing licence trade-in
- Inability to change licence model w/o approval
- Training prices if applicable
- No 'then current' or 'then in effect' language
- No automatic renewals
- Manuals included for all purchases / upgrades
- Licence compliance guaranteed only if software delivered to designated group / dept
- Installation included with software price
- Language re: future product evaluation

#### Maintenance and support:

- Operating Systems Upgrade guarantee
- Escalation procedures
- Severity levels, service level response times
- Maintenance %, based on purchase price
- Caps on maintenance increases (3% or CPI)
- Specific support hours
- Support on discontinued product
- Separate billing of maintenance and support
- Discount on pre-paid maintenance
- Service credits for missed P1 calls / SLAs

Appendix 5

Terms and Conditions:

- Use of name clause
- Payments due net 30 days from receipt of undisputed invoice
- Protection against assignment of product
- Audit rights – 30 days, 15 business days

**Software licences and maintenance: checklist**

This checklist contains a list of the main issues for suppliers and services to consider when negotiating software licences and maintenance and support agreements.

**Software licences and maintenance: main points for customers to consider**

**Validity of licence**

- Does the supplier warrant its right to grant the licence and indemnify the service against infringement of any third party's rights? Are there any circumstances or conditions which suggest that the right to grant a licence might be subject to a third party's consent and, if so, has that consent been obtained?

**Extent of licence**

- Does the licence cover all the users who might reasonably be expected to use the software (for example, subsidiaries, associated companies, facilities management companies)?
- Does the licence contain restrictions on the uses to which the software might be put (for example, if it is only for the benefit of a named company) or on the manner of its use (for example, if it is only for use on a particular computer processing unit (CPU) or at a particular site)? If so, are these acceptable to the service?
- Is the term of the licence satisfactory?
- Are there commercial reasons for seeking restrictions on the extent to which the supplier may permit the software (or similar software) to be used by others?

(Note that licences that refer to hardware have sometimes produced results that are uncertain and unwelcome (from the service's point of view) when they have been applied to multiple-core servers and virtualised environments.)

Clear drafting of licence scope is key. The move to the cloud, APIs & interoperable systems makes clearly drafted licence scope terms critical.

**Maintenance obligations**

- Are maintenance obligations clearly defined? If different priority is to be given to different categories of fault, does the suggested prioritisation reflect the relative commercial significance of the faults to the user? Are the suggested response times and "times to fix" satisfactory? Can the support be given in all necessary languages at all necessary locations?
- If the supplier can terminate its maintenance obligations on notice, consider the effects of such termination. Can the user obtain satisfactory maintenance from a third party?

**Fees**

- Are the provisions as to licence fees clear and fair? Has best advantage been taken of any discount or "bundling" offered by the supplier? Does the agreement set out how any additional fees will be calculated if the service's use of the software changes (for example, by increasing the number of software users or sites)?
- Are the provisions as to maintenance fees clear and fair? Is third-party maintenance available and, if so, would it offer better value?
- To what extent are upgrades included in the licence and/or maintenance package? To what extent is continued maintenance dependent on the purchase of upgrades at additional cost (how many versions of the software does the supplier or maintenance company support)?

**Rights to back-up, alter and maintain**

- Does the licence allow the user to make copies of the software for back-up, testing or other

purposes?

- Does the licence include the right for users (and consultants and others engaged or employed by users) to alter or maintain the software? If so, do they have appropriate access to the source code and any necessary tools?
- If the terms of access to the source code are covered by an escrow agreement, is the escrow agent reliable and are the conditions for release of the software clear and easily enforceable? Will the source code be kept up to date?

### **Delivery, installation and testing**

- In what form is the software to be delivered (for example, on disc, CD-ROM or electronically) and when?
- Determine responsibility for installation.
- Obtain an acknowledgement from the supplier that any hardware or associated items which the service is purchasing for use in conjunction with the software are satisfactory for the performance of the software in accordance with its specification.
- Will the software be tested before acceptance? If so:
  - is the service clear what will constitute success: that is, are the service's requirements well understood and will the proposed testing regime ensure that they have been met?
  - do the proposed tests cover "real life" use; for example, will they accurately demonstrate the way the software will perform in the environment in which it is intended to function and with the volumes it is intended to handle?

### **Warranties and indemnities**

- Expect as a minimum:
  - a warranty as to the licensor's right to grant the licence (see Validity of Licence) and an indemnity against third party claims;
  - a warranty as to the conformity of the software with its specification or description.
- Consider the need for specific warranties on other matters (such as in relation to euro compliance).
- Has the service secured an indemnity against losses arising from claims that its use of the software infringes the intellectual property rights of a third party?

### **Other terms**

Consider carefully the effect of other terms dealing with:

- Confidentiality
- GDPR
- Dispute resolution
- Limitation of liability
- Termination and remedies
- Assignment
- Third party rights
- Boilerplate

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## 1.1 Owners / Key Representatives

<u>Contract Name</u> <del>Nominated Contact</del>	<u>Role</u>
<u>Service Contract Manager</u>	<u>Supplier Contract Manager</u>
<u>Supplier Contract Manager</u>	<u>Service Contract Manager</u>
<u>Contract start date</u>	
<u>Contract end date</u>	
<u>Contract review date</u>	
<u>Total Contract value</u>	
<u>Add others as applicable</u>	

## 1.2 Contract Overview

*Briefly outline what goods/works, services will be provided at high level, contract length, specific milestones, key sub-contractors and suppliers, how the service will be delivered etc.*

### 2.1.3 Contract Objectives

*Insert the high level aims and objectives of the contract from the tender documents, consider: value for money, savings, quality, continuous improvement, customer satisfaction, council plan objectives.*

## 3. Level of Management required

*Determine the level of management required for a specific contract and supplier based on size, value and organisational risk as this will influence and determine the frequency and content of supplier review meetings: **HIGH / MEDIUM / LOW**. Please see details in the procedure to determine the level required.*

Choose an item.  
Please explain in the box below how you have determined this level of contract management.

---

High / Medium / Low

### 4.1.4 Performance Management Framework

*Insert the key performance indicators including performance targets, frequency of reporting and who is responsible for measuring compliance against the KPI.*

[Insert the key performance indicators from the tender documents]

Appendix 6

**5.1.5 Mobilisation and Migration Plan**

Provide details of how the contract will be made active and rolled out, including details of the transition from one contractor to another.


**1.6 Migration Plan**


**1.766. Contract Compliance**

Provide details of how the minimum performance requirement will be monitored, including Social Value requirements, if applicable.


**1.877. Escalation & Change Control Process**

Provide details of how modifications to the contract and any change control process will operate including who will authorise the change. Also how issues will be escalated.

<u>Managing change:</u>

<u>Escalation process:</u>

Supplier	Contracting Authority / Service
<u>Provide details of how modifications to the contract and any change control process will operate. Also how issues will be escalated</u>	

**1.988. Exit Plan**

Briefly outline thoughts given to the arrangements for when the contract expires. For example, inventories, equipment, data, licences etc.



--

**1.109 9. Communication and relationship management**

*Briefly outline: dates of review meetings, annual review meetings, and other communication mechanisms between the council and the supplier. Escalation routes and procedures, compliments and complaints procedures and how information will be managed.*

--

<u>Proposed Dates/Contract Review meeting dates</u>	<u>Attendees</u>

**1.110. Issues / Risks/Risk Management**

*Provide details of key risks and issues and how these will be monitored and escalated, where applicable. Risks must be included on Ideagen with appropriate scoring, controls and regularly reviewed. Further information relating to assessing and scoring risk can be found here, the Council's Risk Management Framework*

Issue Ref	Issue	Responsibility	Resolution	Date
Risk Ref	Risk <u>and Score</u>	Responsibility	Mitigation	Date

**11. Other considerations**

*Briefly outline any issues (not covered above) relating to: consultation and engagement, equality and diversity, legal implications, statutory duties and regulations, data security and data publishing, health and safety and environmental implications.*

--

Appendix 6

**2.11. Sign off and review**

~~Please ensure this plan~~ This plan must ~~has been~~ reviewed and authorised by your [Head of Service / manager](#). [A copy of all completed and authorised forms must be emailed to the Policy & Governance Team. All contracts with a total value over £5,000 must be added to the Council's Corporate Contracts Register – here](#)

Contract Management Plan sign off.

<b>Name:</b>	
<b>Job Title:</b>	
<b>Signed Signature:</b>	
<b>Date:</b>	

## Template – Contract Review Meeting – Agenda and Meeting Notes/Actions

This template is designed as a guide to use at contract review meetings, agenda items listed are set as a minimum guidance for review. Agenda items should not be deleted, and contract risks must always be included and reviewed.

<u>Supplier:</u>			
<u>Contract Title:</u>		<u>Contract Ref:</u>	
<u>Contract Start Date:</u>		<u>Contract End Date:</u>	
<u>Review meeting date / time:</u>			
<u>Attendees:</u>			
<u>Apologies:</u>			

	<u>Agenda Item</u>	<u>Lead</u>	<u>Notes (delete the guidance in red before completion)</u>
<u>1</u>	<u>Introduction and apologies</u>		<u>[Give a brief overview of what the meeting is about and explain how they are arranged (ie this is the second of four quarterly meetings)]</u>
<u>2</u>	<u>Review and Agreement of the previous meeting notes, issues and actions</u>		<u>[Read over the previous notes, discuss and agree. If there are risks, issues or actions on the previous notes then follow up]</u>
<u>3</u>	<u>Supplier Review and Update:</u>	<u>Supplier</u>	<u>[Ask the supplier if they have any news, updates, issues, etc?]</u>
	<u>New developments, products, news</u>		
	<u>Customer-affecting issues</u>		
	<u>Complaints</u>		
	<u>Value adds</u>		
<u>4</u>	<u>Council Review / Services update</u>	<u>Council</u>	<u>[Give a brief update on any staff changes within the Council, complaints that have been received regarding the contract, any changes within the Council that the supplier should be aware of]</u>
<u>5</u>	<u>Current Contract Performance against target</u>		<u>[Discuss i.e. referrals, capacity, staffing issues, are they meeting contract requirements, can they provide sufficient services, are there any issues to address?]</u>
	<u>Review contract delivery</u>		
	<u>Issues for escalation</u>		
<u>6</u>	<u>Social Value delivery against chosen Themes, Outcomes and Measures (TOMs)</u>		<u>[For contracts valued over £75,000]</u>
<u>7</u>	<u>Change Management</u>		<u>[Are there changes to the delivery, contract to be discussed? Have all the appropriate documents and information been circulated?]</u>
<u>8</u>	<u>Financial Management</u>		<u>[Are there any problems with invoicing or payments? Has the supplier been paid on time?]</u>
<u>9</u>	<u>Risk Management</u>		<u>[Review of the contract risk register, are all the risks identified? Are the scores and controls appropriate?]</u>
<u>10</u>	<u>Any other Contract business</u>		
<u>11</u>	<u>Agree date, time and location of the next meeting</u>		

Risks Appendix 6a

	<u>Risk</u>	<u>Risk Score</u>	<u>Mitigating Action</u>	<u>Owner / Responsibility</u>	<u>Date</u>
<u>1</u>					
<u>2</u>					
<u>3</u>					
<u>4</u>					

Issues

	<u>Issue</u>	<u>Resolution</u>	<u>Owner / Responsibility</u>	<u>Date</u>
<u>1</u>				
<u>2</u>				
<u>3</u>				
<u>4</u>				

Actions

	<u>Summary of Action</u>	<u>Status</u>	<u>Owner / Responsibility</u>	<u>Completion Date</u>
<u>1</u>				
<u>2</u>				
<u>3</u>				
<u>4</u>				

# Contract Variation Form Template

<b>Change Request Form</b>	
Change Request No:	Supplier:
Requested by:	Date received:
Item (s) affected:	Issue affected:
Description of Change:	
Reason for Change:	
Effect of not implementing change:	
Analysis results:	
Resource:	Time:
Value change / Price modification:	
Implementation timescale:	
Agreed action: Accept / Reject	
Authorised by:	
Signed:.....(For SDC) Date.....	
Signed:.....(Supplier) Date.....	
Reason for Rejection:	
<u>One Legal consultation confirmation date and/or reference:</u>	
<u>Policy &amp; Governance confirmation date and/or reference:</u>	

**One Legal and Policy & Governance Team ~~have been~~must be consulted where the variation relates to an above threshold contract.**

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# Contract Extension Form Template

*This template should be completed to demonstrate how the proposal meets business need, is affordable, achievable, has explored the appropriate options and is likely to achieve value for money/improvements in service.*

Proposer Name	Service Area

Title	Role

Contract Name and Ref	Service Provider	Value to Date

Contract Type (Goods, Services or Works)	Procurement Route	Contract Start Date

Extension Period and Value	Start Date	End Date

## 2. Proposal

Give a brief description of the proposal

*This section captures, as clearly and succinctly as possible, what it is that's being proposed.*

## 3. Business Need

Give a brief description of the business need that gives rise to this proposal

*This section captures, as clearly and succinctly as possible, the need/gap/issue that gives rise to this proposal.*

## 4. Options

Give a brief description of the options considered, their strengths and weaknesses, and highlight your recommended option (include the option of doing nothing)

- **Option 1 – Do Nothing**

Strengths of option	Weaknesses of option

- **Option 2 –**

Strengths of option	Weaknesses of option

- **Option 3 –**

Strengths of option	Weaknesses of option

Agenda Item 7  
**5. Performance**

Appendix 8  
 Performance measured against Key Performance Indicators (KPI's). Customer and Client satisfaction.

*This section captures, as clearly and succinctly as possible, the performance that gives rise to this proposal. Refer to any background papers which support this proposal.*

**6. Risks**

What key risks are involved in implementing the proposal and how will they be managed?

Risk	How it will be managed

**7. Lifetime Costs**

What are the costs to implement and run this contract over extension period? Assume 5 years if no clearer duration is available.

Procured Value	Spend To Date	Year 1	Year 2	Year 3	Year 4	Year 5
<b>TOTAL</b>						

**8. Authorisation**

Confirmation that the contract has been amended and signed off by the relevant Director or HoS. One Legal and Policy & Governance Team have been consulted where the extension relates to an above threshold contract.

ONE Legal	Comments	Date
<b>Name:</b>		
<b>Signature:</b>		

P&G Team	Comments	Date
<b>Name:</b>		
<b>Signature:</b>		

Authorising Officer (HOS/Director)	Comments	Date		
<b>Name:</b>				
<b>Signature:</b>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"><b>In Support of Extension</b></td> <td><b>Yes/No</b></td> </tr> </table>	<b>In Support of Extension</b>	<b>Yes/No</b>		
<b>In Support of Extension</b>	<b>Yes/No</b>			
<b>Officer Delegation Scheme where applicable</b> Please state relevant paragraph and page no. of the Constitution or Council / Committee Decision or Authorising Office				

Authorising Officer (HOS/Director)	Comments	Date		
<b>Name:</b>				
<b>Signature:</b>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"><b>In Support of Extension</b></td> <td><b>Yes/No</b></td> </tr> </table>	<b>In Support of Extension</b>	<b>Yes/No</b>		
<b>In Support of Extension</b>	<b>Yes/No</b>			



**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**

**TUESDAY, 28 NOVEMBER 2023**

<b>Report Title</b>	<b>Half Year Treasury Management Report 2023/24</b>			
<b>Purpose of Report</b>	To provide an update on Treasury Management activity as at 30/09/2023			
<b>Decision(s)</b>	<b>The Audit and Standards Committee RESOLVES to accept the Treasury Management half year report.</b>			
<b>Consultation and Feedback</b>	Link Asset Services (LAS)			
<b>Report Author</b>	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: <a href="mailto:graham.bailey@stroud.gov.uk">graham.bailey@stroud.gov.uk</a>			
<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	Appendix A – Prudential Indicators as at 30 September 2023 Appendix B – Explanation of the Prudential Indicators Appendix C – Economic Update			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

## 1. Background

- 1.1 Treasury management is defined as: ‘The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’
- 1.2 This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first half of the financial year, and to report on prudential indicators and compliance with treasury limits.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in 2021, originally adopted by this Council on 21 January 2010. This half year report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:
- A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
  - A review of the Council’s investment portfolio for 2023/24
  - A review of the Council’s borrowing strategy for 2023/24
  - A review of compliance with Treasury and Prudential Limits for 2023/24
  - Other Treasury Issues

## **2. Treasury Management Strategy Statement And Investment Strategy Update**

- 2.1 The TMSS for 2023/24 was approved by Council on 16th February 2023. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
1. Security
  2. Liquidity
  3. Yield
  4. Environmental, Social and Governance (ESG)
- 2.2 In 2023-24 the Council will continue to invest in the specified investment category for varying duration with quality counterparties to maximise return without compromising security, or liquidity. In cases where two investments of similar credit rating would generate the same return the Council will select the investment with the best ESG rating. The length of investments permitted will vary, if necessary, in line with LAS advice subject to the Council's 3-year upper limit.
- 2.3 In February 2023 the Strategy set out an interest rate forecast peaking at 4.5% and reducing to 2.5% by September 2025. Rates in November 2023 have since climbed to 5.5% and the current forecast is that this is the peak of the interest rate cycle, falling to 5% in September 2024 and 2.75% by December 2025.
- 2.4 The composition of the Council's investment portfolio as at 30 September 2023 is shown in Table 3 of this report. Investments and borrowing during the year have been in line with the strategy.
- 2.5 Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Link's weekly list.

## **3. Investment Portfolio**

- 3.1 In accordance with the Code, it is the Council's priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The Council will also consider the ESG rating of a financial institution as a fourth local consideration. The investment portfolio yield for the first half year is shown in Table 1 below:

**TABLE 1: Investment Performance Quarters 1 and 2 2023/24**

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
<b>Internally Managed Specified</b> <b>Property Fund / Multi-Asset Fund</b> <b>Total Quarter 1</b>	01/04/2023 – 30/06/2023	504,477	45.151	4.482%
		83,404	10.000	3.345%
		<b>587,881</b>	<b>55.151</b>	<b>4.276%</b>
<b>Internally Managed Specified</b> <b>Property Fund / Multi-Asset Fund</b> <b>Total Quarter 2</b>	01/07/2023 – 30/09/2023	621,782	49.474	4.993%
		76,785	10.000	3.20%
		<b>698,567</b>	<b>59.474</b>	<b>4.666%</b>
<b>HALF YEAR TOTAL</b>	01/04/2023 – 30/09/2023	<b>1,286,448</b>	<b>57.324</b>	<b>4.476%</b>

- 3.2 Performance of the Property Fund and Multi-Asset Funds is shown in Table 2. The quarter 2 return for Hermes is estimated as the figures are not available at the time of producing this report.

**TABLE 2: Property and Multi-Asset Fund Performance Quarters 1 and 2 2022/23**

Fund	Initial Investment £m	Value as at 30/06/23 £m	Return Apr - Jun 2023	Value as at 30/09/23 £m	Return Apr - Sep 2023
Lothbury	4.000	3.343	3.03%	3.288	2.87%
Hermes	2.000	1.920	3.45%	1.859	3.31%
<b>TOTAL PROPERTY FUNDS</b>	<b>6.000</b>	<b>5.263</b>	<b>3.17%</b>	<b>5.147</b>	<b>3.02%</b>
Royal London	3.000	2.625	3.41%	2.634	3.37%
CCLA	1.000	0.958	4.22%	0.948	3.75%
<b>TOTAL MULTI-ASSET FUNDS</b>	<b>4.000</b>	<b>3.583</b>	<b>3.61%</b>	<b>3.582</b>	<b>3.46%</b>
<b>TOTAL FUND INVESTMENTS</b>	<b>10.000</b>	<b>8.845</b>	<b>3.345%</b>	<b>8.729</b>	<b>3.20%</b>

3.3 Table 3 below shows the investments and borrowing position at the end of September 2023.

**TABLE 3: Investment and Borrowing at the end of Quarters 1 and 2 2023/24**

	Jun 2023 £'000	ESG Jun 23	Sep 2023 £'000	ESG Sep 23
Aberdeen	3,941	A-	1	A-
Federted Prime	-	A-	3,645	A-
Goldman Sachs	1,000	A-	1	A-
Deutsche	5	A	0	A
<b>Money Market Funds Total</b>	<b>4,946</b>		<b>3,647</b>	
Lloyds	7,927	A-	7,959	A-
<b>Lloyds Banking Group Total</b>	<b>7,927</b>		<b>7,959</b>	
NatWest	189		386	
<b>RBS Banking Group Total</b>	<b>189</b>		<b>386</b>	
Standard Chartered	2,000	BBB+	3,000	BBB+
Santander	7,999	A-	7,999	A-
Barclays Bank Plc	8,032	BBB-	93	BBB-
Svenska Handelsbanken	2,014	A+	4,013	A+
Toronto Dominion	4,000	BBB	2,000	BBB
Landesbank Hessen Thuringen	6,000	BBB+	6,000	BBB+
Goldman Sachs international	-		4,000	
DMO	-		1,000	
National Bank of Canada	-		2,000	
Bank of Montreal	3,000	A+	3,000	A+
<b>Other Banks Total</b>	<b>33,045</b>		<b>33,105</b>	
<b>TOTAL INVESTMENTS</b>	<b>£46,107</b>	<b>A-</b>	<b>£45,097</b>	<b>A-</b>
Lothbury	4,000		4,000	
Hermes	2,000		2,000	
<b>TOTAL PROPERTY FUNDS</b>	<b>£6,000</b>		<b>£6,000</b>	
RLAM	3,000		3,000	
CCLA	1,000		1,000	
<b>TOTAL MULTI ASSET FUNDS</b>	<b>£4,000</b>		<b>£4,000</b>	
PWLB	100,717		100,717	
<b>TOTAL BORROWING</b>	<b>£100,717</b>		<b>£100,717</b>	

**ESG Grading Scale**

AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+
Negligible			Low			Medium			High			Severe			

- 3.4 The approved limits as set out in the Treasury Management Strategy report to Council 16 February 2023 within the Annual Investment Strategy were not breached during the first 6 months of 2023/24, except for Barclays which breached the limit through the re-investment of interest. Funds have now been withdrawn in full from that Barclays account as a result of its lower ESG rating.
- 3.5 Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £15m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year). At 30 September the Council has invested £10m into Property and Multi-Asset Funds with the objective of longer term investments helping to improve the overall rate of return.
- 3.6 **Lothbury Property Fund** is currently suspended by Lothbury Fund Managers due to level of redemption requests reaching 97%. In October the Lothbury Fund Managers served a Notice of Fund Termination to unitholders. The Lothbury Property Fund will terminate 31 December 2023. The termination of the fund does not mean the loss of the current investment value as the Trustee will proceed to pay distributions to the unitholders on the register, pro rata to their holding in the Fund as at the Termination Date. This will take place as the property assets are disposed of in an orderly fashion. However, the fund manager will continue to consider viable options up to the Termination Date and any proposal would be put to unitholders in an Extraordinary General Meeting.
- 3.7 Tables 4, 5 and 6 below shows the benchmarked quarter by quarter Returns on Specified Investments and Funds at the end of September 2023.

**TABLE 4: Quarterly Benchmark – Specified Investments**

Quarter	Specified Investments % return	Benchmark 7 day SONIA Compound ed	Benchmark 90 day SONIA Compound ed
Q1 21/22	0.18%		
Q2 21/22	0.18%		
Q3 21/22	0.19%		
Q4 21/22	0.22%		
Q1 22/23	0.79%	0.87%	0.64%
Q2 22/23	1.55%	1.51%	1.19%
Q3 22/23	2.66%	2.70%	2.12%
Q4 22/23	3.80%	3.97%	3.66%
Q1 23/24	4.48%	4.53%	4.29%
Q2 23/24	4.99%	5.19%	5.05%

**TABLE 5: Quarterly Benchmark – Multi-Asset Funds**

Quarter	Fund Investments % return	Capital deficit / surplus %	Return including capital %	Benchmark 0-35% Shares
Q1 21/22	2.72%		2.72%	
Q2 21/22	2.60%		2.60%	
Q3 21/22	2.51%	2.27%	4.78%	1.00%
Q4 21/22	1.89%	-6.69%	-4.80%	-3.74%
Q1 22/23	2.78%	-9.37%	-6.59%	-6.06%
Q2 22/23	2.74%	-6.15%	-3.41%	-3.69%
Q3 22/23	2.74%	3.05%	5.79%	2.27%
Q4 22/23	2.77%	1.79%	4.56%	1.62%
Q1 23/24	3.61%	-1.46%	2.15%	-0.99%
Q2 23/24	3.46%	-0.02%	3.44%	-0.78%

**TABLE 6: Quarterly Benchmark – Property Funds**

Quarter	Fund Investments % return	Capital deficit / surplus %	Return including capital %	Benchmark 3 mth Property Fund Index (Other)
Q1 21/22	3.00%			
Q2 21/22	3.06%			
Q3 21/22	3.85%	4.62%	8.47%	4.30%
Q4 21/22	2.71%	5.11%	7.82%	6.70%
Q1 22/23	3.15%	4.07%	7.22%	6.10%
Q2 22/23	3.01%	-5.87%	-2.86%	4.00%
Q3 22/23	3.04%	-20.02%	-16.98%	-3.70%
Q4 22/23	3.07%	-0.95%	2.12%	-14.00%
Q1 23/24	3.17%	-0.95%	2.22%	-0.20%
Q2 23/24	3.02%	-1.92%	1.10%	1.30%

#### **4. External Borrowing**

- 4.1 The Council's Capital Financing Requirements (CFR) for 2023/24 is £134.902m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has external PWLB borrowing of £100.717m as of 30 September 2023.

#### **5. Compliance With Treasury And Prudential Limits**

- 5.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators are outlined in the approved TMSS.
- 5.2 During the period to 30 September 2023 the Council has operated within treasury limits and Prudential Indicators set out in the Council's TMSS and with the Council's Treasury Management Practices, except for breaching the £8m investment limit with Barclays. That investment is now terminated. The Prudential and Treasury Indicators are shown in Appendix A.

#### **6. Other Treasury Issues**

- 6.1 ESG rating reports from Camdor Global Advisors covering quarters 1 and 2 have been received and circulated to Audit and Standards committee members. A presentation of the quarter 3 report by Camdor Global Advisors is arranged for 30<sup>th</sup> January 2024 before the committee meeting.

#### **7. Implications**

##### **7.1 Financial Implications**

There are no financial implications arising from the decision. The whole report is of a financial nature.

Andrew Cummings, Strategic Director of Resources  
Tel: 01453 754115 Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

##### **7.2 Legal Implications**

There are no specific legal implications arising from the recommendation of this report.

One Legal  
Tel: 01684 2722203 Email: [legal.services@onelegal.org.uk](mailto:legal.services@onelegal.org.uk)

##### **7.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision.

##### **7.4 Environmental Implications**

There are no significant implications within this category.

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### Prudential Indicators as at September 2023

Prudential Indicator	2023/24 Indicator £'000	Actual as at 30 June 2023 £'000	Actual as at 30 Sept 2023 £'000
Capital Financing Requirement (CFR)	134,902	123,086	127,025
Gross Borrowing	100,717	100,717	100,717
Authorised Limit for external debt	149,000	149,000	149,000
Operational Boundary for external debt	144,000	144,000	144,000
Principal sums invested > 365 days	15,000	10,000	10,000
<b>Maturity structure of borrowing limits</b>			
Under 12 months	25%	0%	0%
12 months to 2 years	50%	0%	0%
2 years to 5 years	75%	0%	0%
5 years to 10 years	100%	6%	6%
10 years and above	100%	94%	94%

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## **Explanation of prudential indicators**

Central Government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

**Gross borrowing** – compares estimated gross borrowing in February 2023 strategy with actual gross borrowing as at 30 September 2023.

**Capital financing requirement (CFR)** – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £134.902m provides the Council with the opportunity to borrow if appropriate. 16m of borrowing is planned for 2023/24 arising from the approved capital programme, together with £1m minimum and voluntary revenue provisions for the repayment of debt.

**Authorised limit for external debt** - this is the maximum limit for gross external indebtedness. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows. This limit has not been breached in the period 1 April 2023 to 30 September 2023.

**Operational boundary for external debt** – this is set as the more likely amount that may be required for day to day cashflow. This limit has not been breached in the period 1 April 2023 to 30 September 2023.

**Upper limit for fixed and variable interest rate exposure** – these limits allow the Council flexibility in its investment and borrowing options. Current investments are either fixed rate term investments or on call. Borrowing is at a fixed rate.

**Upper limit for total principal sums invested for over 365 days** – the amount it is considered can prudently be invested for a period in excess of a year. Current policy only permits lending beyond 1 year with other Local Authorities up to a maximum of 3 years. Property fund investments are subject to a 25-year maximum, and other investment funds up to 10 years as set out in Table 13 of the latest Treasury Management Strategy.

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## Economics update

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
  - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers

## Appendix C

in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.
- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has

exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

- The pound weakened from its cycle high of \$1.30 in the middle of July to \$1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21<sup>st</sup> April the FTSE 100 stood at 7,914.

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**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**  
**TUESDAY, 28 NOVEMBER 2023**

<b>Report Title</b>	<b>Annual Code of Conduct Report 2022-2023</b>			
<b>Purpose of Report</b>	This report sets out a summary of the Code of Conduct complaints considered by the Monitoring Officer between the period 1 November 2022 and 31 October 2023.			
<b>Decision(s)</b>	<b>The Committee RESOLVES to note the report</b>			
<b>Consultation and Feedback</b>	N/A			
<b>Report Author</b>	Claire Hughes, Corporate Director (Monitoring Officer) Email: <a href="mailto:claire.hughes@stroud.gov.uk">claire.hughes@stroud.gov.uk</a>			
<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	None			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

### 1. Summary of Code of Conduct Complaints

- 1.1 This report sets out a summary of the Code of Conduct complaints considered by the Monitoring Officer between the period 1 November 2022 and 31 October 2023.
- 1.2 The council, and all parish councils in the District, have a statutory duty under the Localism Act 2011 to 'promote and maintain high standards of conduct by members and co-opted members of the authority'.
- 1.3 The Monitoring Officer is responsible for dealing with allegations that councillors have failed to comply with the members' code of conduct and for administering the local standards framework.
- 1.4 In accordance with Section 28 Localism Act 2011 the council has adopted a code of conduct, and this has also been made available to all parish councils to inform the adoption of their own code.
- 1.5 During the period 1 November 2022 and 31 October 2023, the Monitoring Officer received thirteen Code of Conduct complaints as follows:

Date	Subject Council	Outcome
November 2022	Complaint regarding a member of Chalford Parish Council	Following an initial assessment and consultation with the Independent Person a decision notice was issued with the outcome of No Further Action
November 2022	Complaint regarding a member of Stroud District Council	Ongoing
December 2022	Complaint regarding a member of Stinchcombe Parish Council	Informal Resolution
February 2023	Complaint regarding a member of North Nibley Parish Council	Complaint withdrawn
March 2023	Complaint regarding a member of Berkeley Town Council	Following an initial assessment and consultation with the Independent Person a decision notice was issued with the outcome of No Further Action
March 2023	Complaint regarding a member of Hinton Parish Council	Informal Resolution
March 2023	Complaint regarding a member of Hinton Parish Council	Following an initial assessment and consultation with the Independent Person a decision notice was issued with the outcome of No Further Action
July 2023	Complaint regarding a member of Stroud District Council	This complaint was the subject of a standards hearing in August 2023 - full details are available on the councils <a href="#">website</a>
July 2023	Complaint regarding a member of Stonehouse Town Council	Informal Resolution
August 2023	Complaint regarding a member of Stroud District Council	Following an initial assessment and consultation with the Independent Person a decision notice was issued with the outcome of No Further Action
September 2023	Complaint regarding a member of Longney and Epney Parish Council	Complaint Withdrawn
September 2023	Complaint regarding a member of Hinton Parish Council	Ongoing
October 2023	Complaint regarding a member of Hinton Parish Council	Rejected as outside of scope of standards regime

## **2. Implications**

### **2.1 Financial Implications**

There are no financial implications arising from this report.

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

### **2.2 Legal Implications**

Under the Localism Act 2011, the council has a duty to investigate complaints that a councillor of this council or of a parish and town council may have breached the Code. This report gives feedback to the Committee on the activity undertaken by the council in fulfilment of that duty.

One Legal

Tel: 01684 272012 Email: [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

### **2.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision].

### **2.4 Environmental Implications**

There are no significant implications within this category.

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**Deloitte.**



**Stroud District Council  
Interim Audit Update for Audit & Standards Committee  
Issued on 20 November 2023**

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# Contents

## Interim audit update

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Update report to the Audit & Standards Committee – Year 2021/22	3
Update report to the Audit & Standards Committee – Year 2022/23	4
Purpose of our report and responsibility statement	5
<b>Appendices</b>	
Audit adjustments	7
Control findings	10
Our approach to quality	11

# Update report to the Audit & Standards Committee – Year 2021/22

We have prepared this update to inform the members of the Audit & Standards Committee of our work since the last meeting in November 2022

## Annual Report & Accounts 2021/22

We presented our report on the audit of the 2021/22 Annual Report and Accounts to the Audit & Standards Committee meeting on 29 November 2022.

Since the last meeting, there has been below updates which resulted in revision of financial statements for 2021/22;

1. In advance of signing the 31 March 2022 financial statements an issue arose in relation to Local Government Pension Scheme (LGPS) which has now been concluded and adjustments are made to the financial statements. This LGPS issue relates to the conclusion of the triennial valuation that was completed in March 2023 with a valuation date of the 31 March 2022. As a result of using accurate membership data, material movements were noted in relation to the pension liability.

The conclusion to this has resulted in the Council requesting the actuary to recalculate the LGPS pension liability for 2021/22 which has resulted in an increase of £2.9m in relation to the LGPS pension liability. The Council have now updated the financial statements for 2021/22 to reflect this increase.

We have completed our additional required procedures to verify this increase in liability and we have no issues to report.

2. There were other adjustments as summarised on page 7 and page 8. The Council have now amended the financial statements to correct the errors as summarised on page 8. The impact of unadjusted misstatements on page 7 is not considered material.

Our audit is now substantially completed subject to completion of the following principal matters:

- completion of administrative review notes on audit work from engagement lead;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2022 through to signing.

# Update report to the Audit & Standards Committee – Year 2022/23

We have prepared this update to inform the members of the Audit & Standards Committee of our work since the last meeting in September 2023

## Annual Report & Accounts 2022/23

Our Audit Plan was presented during the last meeting in September 2023 and our work has progressed in line with that plan.

This report has been prepared based on the substantive audit work completed to mid November 2023 and we are still finalising our audit procedures with respect to our audit of the financial statements, and value for money.

Our audit work so far includes the work on the design and implementation of key controls around significant risks, discussions with management in relation to fraud related risks, substantive testing of audit areas i.e fixed asset additions, expenditure, payroll, and other financial statement areas. Our audit is still progressing, however, we have nothing to report to Audit & Standards Committee in this regard.

There are no changes to significant audit risks and other areas of focus since our last audit plan.

## Value for Money

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. The Code of Audit Practice requires specific procedures to be undertaken across the following three areas – Financial Sustainability; Governance and Improving Economy, Efficiency and Effectiveness. We will hold initial discussions with management to commence our work and will be undertaking the majority of this work during the coming months.

## Next Steps

We will continue to perform our audit testing so that we can complete our year end audit.



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit & Standards Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

This report should be read alongside our;

- ISA 260 to the Audit & Standards Committee on the audit for the year ended 31 March 2022, circulated in November 2022; and
- Planning report to the Audit & Standards Committee on the audit for the year ended 31 March 2023, circulated in September 2023.

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Deloitte LLP**

Bristol | 20 November 2023

# Appendices

## Audit adjustments Unadjusted misstatements

The following uncorrected misstatements have been identified for FY 2021/22 accounts up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Description	Note	Judgemental / Factual	Debit/ (credit) Income and expenditure account £m	Debit/ (credit) in assets / liabilities £m	Debit/ (credit) OCI/Equity £m
<b>Misstatements identified in FY 2021/22 (31 March 2022)</b>					
Impact of Goodwin liability not accounted for in the financial statements in 2021/22	[1]	Judgemental	(0.1)	0.1	-
Revaluation gain incorrectly allocated between CIES and revaluation reserve	[4]	Factual	0.6	(0.3)	(0.3)
<b>Total</b>			<b>(0.5)</b>	<b>0.4</b>	<b>(0.9)</b>
<b>Misstatements identified in FY 2020/21 (31 March 2021)</b>					
Overstatement in provision for housing capital works	[2]	Factual	-	0.6	(0.6)
Impact of Goodwin liability not accounted for in the financial statements in 2020/21	[3]	Judgemental	-	(0.3)	0.3
<b>Total</b>			<b>-</b>	<b>0.3</b>	<b>(0.3)</b>

[1 and 3] The impact of the Goodwin liability should be recognised in 2021/22 as a past service cost in the income and expenditure account. A projected impact is of 0.1% to the Council's defined benefit obligation has been calculated by Deloitte Pension specialists, for a typical LGPS employer. This has been calculated at a £0.2m understatement for the defined benefit obligation as at 31 March 2022 in the current year. When combined with the brought forward £0.3m understatement of the pension liability as a result of Goodwin this results in a £0.1m release to the pension liability.

[2] This was related to housing capital works provision which after being reviewed in last year was concluded as overstatement and no longer required as at the 31 March 2021.

[4] This represents the revaluation gain incorrectly allocated between CIES and revaluation reserve. This also includes the decrease in valuation of certain assets which has not been recognised in PPE.

# Audit adjustments Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

Description	Note	Judgemental/ Factual	Debit/ (credit) Income and expenditure account £m	Debit/ (credit) in assets / liabilities £m	Debit/ (credit) OCI/Equity £m
<b>Misstatements identified and corrected in FY 22 (31 March 2022)</b>					
Reclassification of credit balances under cash and cash equivalents	[1]	Factual	-	0.2	-
Dr. Cash and cash equivalents			-	0.2	-
Cr. Short term debtors			-	(0.2)	-
Adjustment to cost and accumulated depreciation in Note 14 of the accounts	[2]	Factual	-	0.7	-
Dr. Accumulated depreciation (Fixed assets)			-	0.7	-
Cr. Cost (Fixed assets)			-	(0.7)	-
Recognition of fair value gain for other land and buildings	[3]	Judgemental	-	0.6	(0.6)
Recognition of grants received in advance on the face of balance sheet - FY 22	[4]	Factual	-	12.3	-
Dr. Short term creditors			-	12.3	-
Cr. Grants received in advance (Revenue)			-	(1)	-
Cr. Grants received in advance (Capital)			-	(11.3)	-
Recognition of grants received in advance on the face of balance sheet - FY 21	[4]	Factual	-	7.6	-
Dr. Short term creditors			-	7.6	-
Cr. Grants received in advance (Revenue)			-	(3.1)	-
Cr. Grants received in advance (Capital)			-	(4.5)	-
Adjustment in net pension liability based on revised pension report	[5]	Factual	2.9	(2.9)	-

# Audit adjustments

## Corrected misstatements

### Misstatements identified and corrected in FY 22 (31 March 2022) - Continued

- [1] This relates to unallocated receipts where the funds are miscoded to Cash and bank GLs instead of short term debtors hence the amount is reclassified to short term debtors.
- [2] This represents the adjustment made in the accounts to reconcile the fixed asset register with Note 14 of the accounts.
- [3] This represents the estimated fair value gain recognised for other land and buildings. The Council has considered the impact of property valuation index movements and accordingly recognised the fair value gain based on these index movements.
- [4] As per the CIPFA guidance, the Grants received in advance balances should be presented separately on the face of Balance Sheet and should not be part of short term creditors. The Council has appropriately updated the Balance Sheet in line with the CIPFA guidance however, the overall liability balance is not changed as it was a reclassification adjustment.
- [5] This represents the adjustment in net pension liability position which are made based on revised pension report.

## Corrected disclosure misstatements

### Disclosure deficiencies identified and corrected in FY 22 (31 March 2022)

Serial no	Description
-----------	-------------

- |   |   |
|---|---|
| 1 | The Note 8 of the financial statement disclose the depreciation as well as revaluation impact of the CIES. There are different lines within Note 8 to show the impact of depreciation and revaluation separately. We have noted that the depreciation expenses line was incorrectly understated by £2.15m and the revaluations of property and assets line was overstated by the same amount. This has now been corrected by the Council within Note 8. |
| 2 | We have identified the exceptions within financial instrument note 18 and accordingly requested management to adjustment them in accounts. There were certain balances which as per CIPFA guidance are not in scope of financial instrument but were considered as part of financial instrument balance and therefore agreed with management and corrected.   |
| 3 | The lease note was not appropriately included in the accounts while the operating lease commitments were considered material for disclosure. This has now been corrected and Note 17 is included in the financial statements to disclose the lease balances.  |

# Control findings

## Control deficiencies and areas for management focus

Observation	Year first communicated, severity	Deloitte recommendation
Fixed assets valuation adjustments	2021/22 	<p>As part of our audit procedures, we have noted multiple audit adjustments related to fixed assets valuation (summarised on page 7 and page 8 above).</p> <p>We recommend management to perform a thorough review of fixed assets valuation adjustments and ensure that these are appropriately reflected in statutory accounts of the Council.</p>

-  Significant deficiencies reported
-  Other matters for attention reported

# Our approach to quality

## FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairment, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC’s website:

[Audit Firm Specific Reports - Tier 1 audit firms](#) | [Financial Reporting Council \(frc.org.uk\)](#)

# Our approach to quality

## FRC 2022/23 Audit Quality Inspection and Supervision report

**The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP**

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

**Inspection results: review of the firm's quality control procedures**

"This year, our firm-wide work focused primarily on evaluating the firm's: actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."



# Our approach to quality

## FRC 2022/23 Audit Quality Inspection and Supervision report

### Improve the effectiveness of the testing of revenue and margin recognition

#### How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We are establishing a Revenue centre of excellence to support engagement teams in the audit of revenue. The involvement of the centre of excellence will focus on the overall approach to revenue testing, including an end-to-end view of revenue, the risk assessment, planned controls and IT and substantive work and will take place during the key stages of the risk assessment, planning and execution stages of an audit.
- Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on revenue and margin recognition, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.
- We held a review of a portfolio of audits in specific industries to evaluate the approach to margin recognition and to ensure teams are consulting with our technical team when required.
- We updated partner and EQCR/EQR review guidance and templates to ensure these reviews considers all revenue testing regardless of risk assessment.

- We have refreshed our internal controls coaching and introduced independent health check reviews on internal controls. Coaching is direct 1-2-1 support tailored to the specific needs of the engagement team. The health check reviews include work performed on controls that address significant, higher and lower risks; and entity level controls, including those relating to revenue.

# Our approach to quality

## FRC 2022/23 Audit Quality Inspection and Supervision report

### Improve the audit of cash equivalents and cash flow statements

**How we have addressed this area as a firm**

To address this finding, we have done, or plan to do, the following:

- We continue to hold monthly workshops and share weekly technical emails to brief our people on the areas of regulatory focus. These included a focus on auditing cash and cash equivalents.
- We have issued a 'Getting it right FAQs' in relation to cash equivalents testing, updated to include clarified guidance relating to money market funds and alternative procedures when external confirmations are not requested or received.
- Our Business Unit quality community leads led AQR hot topic reminders workshops and these covered cash findings ahead of reporting season to raise awareness of common pitfalls.
- We have refreshed our cash flow statement work programme and issued reminders requiring its use to all audit practitioners.
- We have assessed the training of audit delivery centres and performed additional training for junior team members in the context of common pitfalls. As part of this, a training module was updated to include a cash testing workshop exercise as part of the core audit curriculum which will link to the regulatory findings.

# Our approach to quality

## FRC 2022/23 Audit Quality Inspection and Supervision report

### Improve the consistency of the audit of estimates for certain provisions

#### How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- Our main annual technical training in 2022 included specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning in 2022 (“TechEx Teams”) included a follow-on session focusing on accounting estimates on a community basis to facilitate sharing of practical examples relevant to community.
- Our annual training for 2023 also included a module on the experienced auditor mindset to support our people in ensuring that audit evidence captures the story of the audit process and challenge therein.
- We have issued new templates and support guidance to assist our teams in auditing complex models and evidencing our ‘standback’ assessment.
- We regularly communicate the FRC findings, including a focused communication on avoiding the ‘assumed knowledge’ pitfalls particularly in relation to management estimates, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

- Management estimates were included within our ‘Key topics for FY23 audits’ publication in December 2022 providing key messages and links to supporting materials for all teams ahead of reporting season.

# Our approach to quality

## FRC 2022/23 Audit Quality Inspection and Supervision report

### Enhance the assessment of impairment reversals

To address this finding, we have done, or plan to do, the following:

- We plan to review our impairment specialist consultation policy to assess whether this should include reference to circumstances where an impairment reversal is identified.
- We have updated the impairment consultation memo to include a prompt on reversal of past impairments and ensure this is considered as part of the audit.
- We held briefings within the impairment specialist community on the AQR findings and the expectation that the specialists include impairment reversals in their review scope where a material reversal has taken place.
- Community Quality Leads are continuously briefed on key findings and reminders to ensure messages are disseminated to more junior grades through busy season including those relating to impairment reversals.
- We delivered a Bitesize learning on impairment reversals.
- We issued updated guidance to help company management understand some common questions on application of IAS 36, including impairment reversals.

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# STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB

Telephone 01453 766321 • Facsimile 01453 750932

www.stroud.gov.uk

## AUDIT & STANDARDS COMMITTEE OFFICER REPORT

### STRATEGIC RISK REGISTER BRIEF REPORT:

#### Introduction

This paper provides summary information on the key changes which have been made to the Strategic Risk Register since the last meeting of the Audit and Standards Committee

This Risk Register was reviewed at the meeting of the Corporate Governance Group on 5<sup>th</sup> October 2023 and has been subsequently updated.

#### Risks which have reviewed

**Risk SR3** has been reviewed after the recent Budget Strategy process. The risk is still regarded as having a major severity but a probability of unlikely. The Budget Strategy anticipates setting a balanced budget over the next two years.

**Risk SR6** has been reduced from a score of 6 to a score of 3. This is because government announcements in October 23 means that no changes to the fleet type for recycling collections will be required for SDC.

**Risk SR8** has been reviewed but with no change to scoring. Recycling material markets remain volatile and this score is deemed appropriate at the current time.

**Risk SR10** has increased in score from a 9 to a 12. Probability risk increased to reflect delays in obtaining planning permission, the increasing funding gap and the uncertainty of the future funding streams.

**Risk SR13** has been reviewed with no change to scoring. The impact of such an incident would undoubtedly be major but at this stage overall score of 9 is deemed to be appropriate. The controls against this risk are reviewed and updated on a near constant basis.

**Risk SR15** has been reviewed with a reduction in scoring from a 9 to a 6 as no strike action is currently expected at Ubico in the 2023/24 year.

#### Newly added risks

**None**

#### Deleted Risks

**None**

<b>REPORT SUBMITTED BY</b>	Andrew Cummings
<b>DATE</b>	20/11/2023

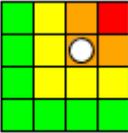
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# SDC Strategic Risk Register

Cross cutting risks

Generated on: 19 November 2023

Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
	SR1	High levels of inflation impacting upon Council budgets and Service Delivery	Andrew Cummings	 Probability Severity	3	3	9	The Budget Strategy and Medium Term Financial Plan should include a medium term analysis of the level of inflation.  Capital Budgets must include sufficient contingency to allow for inflation and this should be incorporated within the Budget Strategy.  HR Policies and Advertising should include details of the wider benefits of working for SDC  Proactive measures to reduce energy consumption  Effective procurement of energy contracts	1  1  1  2	4		The outturn for 2022/23 reflects an overall reduction in the General Fund equalisation reserve but by marginally less than forecast in the budget monitoring.  Inflation remains high in the general economy but it is not causing an impact on SDC services and energy costs are likely to be lower than budgeted for 2023/24.  Risk remains for the local government pay award which is not agreed at this stage. Overall score is reduced from 12 to 9 to reflect a change in status from "very likely" to "likely".

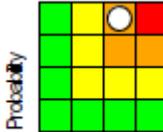
Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
▲	SR2	Information Governance Compliance - The loss of control of data processed by the council	Owen Chandler		2	4	8	Develop consistent Data Sharing practices and agreements	2	8		Re-assessed but no change to overall risk. Severity not changed even with reduction in ICO fines against public authorities (best use of public funds). Probability remains unlikely due to ongoing works and mitigations. Realistically, very unlikely to reduce the risk further. Main focus will be in improving the controls available.
								Develop Information Governance Champions	1			
								Improved insight of iGov function through improved reporting and recording of service usage, trends and feedback.	1			
								Improved retention policy compliance	2			
								Improved use of automation in council retention	2			
								Up to date and accessible Training & Guidance	1			
								▲	SR3			
Continue to explore the development of appropriate partnerships and efficient joint ventures	1											
Potential to increase income through measures such as: Council Tax and fees and charges	1											
Ensure Treasury Management and Capital Strategies are aligned with targets in the MTFP	1											

Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
								Establish and implement a public consultation strategy	1			
								Use budget monitoring to ensure that budgetary control is maintained and income targets are monitored	1			
▲	SR4	Emergency planning	Keith Gerrard	<p>Probability</p> <p>Severity</p>	2	3	6	Council to identify priorities, and required resources, as part of the MTFP process Ensure ICT hardware and software maintained at appropriate levels Individual service continuity plans fit for purpose and adhered to Workforce plan to secure expertise to avoid service failures Ensure data backup system fit for purpose Adequate resources on hand to respond to emergencies - To include Strategic, Tactical and Operational Response Communication strategy to keep stakeholders informed of service availability	1 1 1 1 1 1 1	3		An emergency management structure is now in place and a number of key documents have been updated.

Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
✔	SR5	The Council is required to increase its contributions to the Gloucestershire Pension Fund above the MTFP provision.	Andrew Cummings		1	2	2	Ensure service redesigns or other staffing changes takes account of financial impact of changed staffing levels on pension fund contributions	1	2		
								Ensure MTFP accurately reflects contribution likely to be required based upon current funding levels and future projections	1			
								Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund	1			
✔	SR6	Statutory changes to waste legislation could mandate waste collection alterations.	Mike Towson		3	1	3	Monitor and manage new garden waste customer requests to maximise revenue from the service.	1	2		Score downgraded following government announcements in Oct 23. Twin streaming to be permitted and therefore no fleet change on recycling required.  Some alterations will be required in time for March 26 and March 27.
								Effective management of UBICO contract.	1			
								Maximise effective use of existing resources.	1			
								Keeping up to date with emerging legislative changes and good practice.	1			

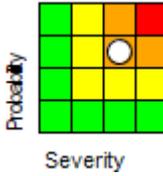
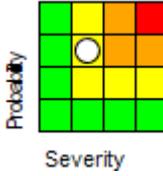
Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
▲	SR7	Difficulty in recruiting and retaining staff with the right skills, values and behaviours	Lucy Powell		2	2	4	Adopt policies which promote staff development and retention, in line with the SDC people Strategy	2	2		
								Adoption and implementation of efficient and professional recruitment policies and practices	2			
								Purchase and implement HR software with effective recruitment modules	2			
								Where appropriate developing partnership arrangements with other public sector partners to share risk and build capacity	1			
								Transfer risk through outsourcing if appropriate	2			
								Review benefit package for staff, including financial and non-financial rewards measure	1			
▲	SR8	The loss of income from recycling/inc entive credits and the potential for increased costs of recycle	Mike Towson		2	3	6	Effective management of UBICO contract.	1	3		No risk score change.
		Keeping up to date with emerging legislative changes and good practice.	2									
		To keep lines of communication open with the County Council to	1									

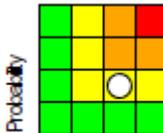
Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
		processing.						maximise the lead in time for any changes to payment received MRF Contract - the value of recylates collected by the Council are determined by industry benchmarks, this may have an impact of the amount received (income) or the costs incurred of disposal	2			23/24. Food waste incentive payments reduced in recent years, so unlikely to change further in the short term.
▲	SR9	Low of levels of staff wellbeing and mental health	Lucy Powell		2	2	4	Introduction of wellbeing champions to engage with staff across the Council to talk openly about wellbeing and working with HR, SLT and LMT to share thoughts and recommendations on staff wellbeing Creation and promotion of a set of Corporate Values and Behaviours to reflect the culture that we desire at SDC A comprehensive set of employee support tools which are also open to elected members. This is to include mental health first aiders and counselling services. Member development group to consider	1 1 1 1	1		Scoring changed to reflect the original position on Excelsis

Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note	
								development need of Councillors					
								Maintaining our workplace wellbeing award from Healthy Lifestyles Gloucestershire	1				
								Absence monitoring is used to track levels of mental health absences and corrective action taken where appropriate	1				
								An annual staff survey, supplemented by more regular wellbeing surveys, is used to understand the current priorities for staff and respond accordingly.	1				
	SR10	Failure to deliver the canal project on time and/or to budget	Chris Mitford-Slade		4	3	12	Close monitoring at Project Team and Board level of all expenditure and forecast costs to completion	1				
								Seeking additional funding from partners and through NLHF and fundraising, for any identified funding gaps	1				
								Agreeing extensions of time for project completion with NLHF and project partners as required, in light of delays caused by Covid-19, cost inflation and other external factors outside	1				
												Probability risk increased to reflect delays in obtaining planning permission, the increasing funding gap and the uncertainty of the future funding streams	

Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
								local control.				
								Continued effort to secure required consents and land (or options to secure land).	1			
								All project partners and NLHF kept closely informed and ready to act in the event that any of the identified triggers materialise	1			
⚠	SR11	Government white paper on levelling up results in changes to local government structure or funding	Andrew Cummings		4	2	8	Assess impact of White Paper and work with neighbouring authorities	2			
								Active engagement with Gloucestershire County Council as they work towards their proposal for a County Deal	2	3		
								Medium Term Financial Planning process to include financial implications of levelling as they become known	2			
✓	SR12	Failure of SDC to play its full part in delivering the ambitions set out in the 2030 strategy, to tackle the climate and	Rachel Brain		1	3	3	Monitoring to highlight areas where further/priority action needs to be taken	1			
								Effective community and partnership governance in place to drive 2030 strategy ambitions, including a community engagement board at	1	1		



Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
		ecological emergency and to do all in our power to become a carbon neutral district by 2030						district level and Climate Leadership Gloucestershire at county level				
								Effective co-ordination of SDC's own actions as a leader by example to tackle the climate and ecological emergency	1			
								Effective monitoring and public scrutiny and reporting of progress towards 2030 ambitions	1			
	SR13	Successful cyber attack on the Council	Adrian Blick		3	3	9	Education of SDC network users	2			
								Protecting SDC from penetration	2			
								Reducing the extent of lateral movement across the SDC IT estate should a hack occur	2	6		No change in probability or severity, risk remains at 9
								Purchase cyber insurance to partially cover costs of any successful cyber breach	2			
	SR14	Business Continuity	Keith Gerrard		3	2	6	A complete review of business continuity is being undertaken.	1			
								Development of business continuity plans for all services	1	3		Severity has now reduced due to level of controls in place
								Creation of a comprehensive corporate recovery plan.	2			Appendix A

Status	Risk Code	Title	Assigned To	Current Risk Matrix	Probability	Severity	Risk Score	Control	Control Score	Risk Target	Review Date	Latest Note
	SR15	Strike action by Ubico	Keith Gerrard	 Probability Severity	2	3	6					NJC Pay award has now been agreed and Ubico will be implementing for their staff.  The results of the anticipated second union ballot did not reach the required threshold for industrial action.

Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**  
**28 NOVEMBER 2023**  
**WORK PROGRAMME**

<b>Meeting Date</b>	<b>Report Description</b>	<b>Responsible Officer / Member</b>
30 January 2024	Internal Audit Progress Report	Chief Internal Auditor
	Treasury Management Q3 Report	Principal Accountant
	Ethical Investment Policy	
	Counter Fraud and Enforcement Unit Update	Head of Service, (CFEU)
	Annual Governance Update	Chief Internal Auditor
	Treasury Management Strategy	Principal Accountant
	Standing Items: a) Corporate Risk Register Update b) To consider the work programme	Strategic Director of Resources Democratic Services
16 April 2024	Internal Audit Progress Report	Chief Internal Auditor
	Counter Fraud Unit Update and Annual RIPA/IPA Update	Head of Service, (CFEU)
	Draft Internal Audit Plan 2024/25	Chief Internal Auditor
	Standing Items: a) Corporate Risk Register Update b) To consider the work programme	Strategic Director of Resources Democratic Services
XX July 2024	Internal Audit Progress Report	Chief Internal Auditor
	Annual Governance Statement Update	Monitoring Officer
	Treasury Management Outturn 2023/24	Principal Accountant
	External Audit Plan	Deloitte
	Unaudited Statement of Accounts 2023/24	Principal Accountant
	Annual Report 2023/24	Chief Internal Auditor
	Annual Report of the Chair	Chair
Standing Items: a) Corporate Risk Register Update b) To consider the work programme	Strategic Director of Resources Democratic Services	
XX September 2024	Internal Audit Progress Report	Chief Internal Auditor
	Treasury Management Q1 Report	Principal Accountant
	Annual Report 2023/24	Chief Internal Auditor
	Corporate Care Standards Performance Update	Community Access & Engagement Manager
	Standing Items: a) Corporate Risk Register Update b) To consider the work programme	Strategic Director of Resources Democratic Services

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