

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

Report Title	Contract Management Framework update			
Purpose of Report	To update the Council's corporate contract management framework following recommendations from the audit report.			
Decision(s)	The Committee RESOLVES to approve the updated Contract Management Framework			
Consultation and Feedback	LMT and Corporate Governance Group have been consulted.			
Report Author	Sarah Turner, Senior Policy and Governance Officer Email: sarah.turner@stroud.gov.uk			
Options	None.			
Background Papers	None.			
Appendices	Appendix 1 – Audit Recommendations with Management Response and additional comments for A&S Committee The below appendices for the Contract Management Framework contain track changes from the original framework documentation: 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)			
Implications (further details at the end of the report)	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
 - o 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.
 - o 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.
 - o Contract Variation Form Template - this form sets out the rationale and authorisation for contract changes / variations
 - o 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>	M	<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&R Committee in November 2023, and the current Risk Management Framework is under review and due for approval at A&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 2nd line of defence processes</p>	<p>As a result of the new Procurement Bill the CMF will need to go back to A&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&S Committee.</p> <p>The amended CMF is being presented to A&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>	M	<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> <ol style="list-style-type: none"> i. Contract Managers who manage contracts; and ii. Contract Owners who perform the oversight and monitoring role. 	M	<p>Recommendation agreed.</p> <p>The new Corporate Induction days begin in October. It is agreed for the P&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&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 & P&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&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&G Team and HR</p> <p>End of Q3 / Q4</p>	<p>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.</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.

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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.

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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.