Contract Management

Final Advisory Report

2024/25

Swansea Bay University Health Board

Contents

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Executive Summary

Purpose

The review assessed whether appropriate contract management arrangements were in place within the health board. This review has been undertaken further to the advisory review of Contract and Procurement at Betsi Cadwaladr University Health Board (BCUHB), completed at the request of Welsh Government in 2023/24, which identified several areas of concern and non-compliance with the organisations Standing Financial Instructions. Through inclusion within NHS Wales Organisations 2024/25 Internal Audit plans, this review has compared and contrasted the appropriateness of contract management arrangements across eight more organisations, with common issues and challenges noted.

An assurance rating has not been applied to this review, recognising the consistency of approach with the BCUHB review, and that actions raised will need to be taken forward in partnership with other NHS Wales organisations, including NHS Wales Shared Service Partnership (NWSSP) Procurement Services. These actions, alongside those specific to the health board, are aimed at improving and/or enhancing expected controls in contract management arrangements.

Overview

Noting the health board does not have an organisation wide contract register, for the purposes of this audit, sample testing was based on the Electronic Contract Management module of the Bravo e-tendering system. Contract selection was undertaken to ensure consistency with similar reviews undertaken at a number of NHS Wales organisations. All Wales Contracts were excluded from our sample; as have Capital and Estates contracts noting that separate Capital Systems reviews, which has included coverage of contract management, have been undertaken by our Specialist Services Unit (SSU) at a number of NHS organisations, within the health board this has been deferred but will feature as part of the 2025/26 Internal Audit Plan.

The following observations have been identified for management attention across all reviews completed:

- The need for consistent contract management procedures to support the requirements of the Standing Financial Instructions this could be through engagement with NWSSP Procurement Services to adopt their Contract Management Procedure;
- Comprehensive contract registers were not in place. We note, however, that the health board is provided with a regular update on the awarding of in-year contracts by NWSSP's Procurement Services;
- A mechanism to determine the capacity and support needed to meet existing and future contract monitoring requirements, with appropriate training provision;
- Responsibility for contract management should be formally assigned and accepted;
- Variations in the formality of contract management, performance reporting, and documentation, which indicates a level of inherent risk, and which could be addressed by increasing the robustness of the control environment; and
- The minimum internal reporting, accountability and escalation requirements should be considered and defined at the outset of contracts.

The health board should ensure appropriate arrangements are in place to engage with wider NHS Wales organisations and NWSSP Procurement Services in developing a coordinated agreed action plan via the Directors of Finance forum to address the common themes and issues identified within this and corresponding reports.

Scope & Actions Summary

Objectives		Related Actions
1	There is a clear framework of policies, procedures and processes for contract management, with roles and responsibilities clearly defined.	1
2	Contract registers are used as the basis for effective contract management and procurement planning.	2
3	Contract managers have access to relevant training and development.	3, 4
4	Service levels/deliverables are specified in the contract, with standard terms and conditions applied, and are linked to service needs and monitored by the assigned contract manager/end user.	5
5	Contract performance and risk is reported and managed within the health board's governance structure.	6

Management Actions

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Themes

Risk Types

Public Perception & Reputational Risk

Financial Loss

Quality or Safety Issues

Legal & Regulatory Non-Compliance

Findings & Agreed Actions

Objective 1: There is a clear framework of policies, procedures and processes for contract management, with roles and responsibilities clearly defined.

The health board's Standing Financial Instructions (SFIs) includes a section on contract management. Section 11.16.1 outlines the relevant budget holder is responsible for overseeing and managing each contract on behalf of the health board to ensure that implicit obligations are met. This includes:

- *Retaining accurate records;*
- *Monitoring contract performance measures;*
- *Engaging suppliers to ensure performance delivery;*
- *Implementing contractual sanctions in the event of poor performance in conjunction with advice from Procurement Services; and*
- *Permitting stage payments as part of a formally agreed implementation/delivery plan which must be supported by written evidence issued by the budget holder.*

In addition to the above, there is an All-Wales Procurement e-manual, which contains high-level contract management guidance, available via the health board 'Oracle' system home page. In discussion with staff, this document is not a regular point of reference.

The health board has a Financial Control Procedure (FCP) 'Procurement & Contracting for Goods and Services' (FCP Number 11), however its scope ends at the point of contract awarding. The FCP is currently being refreshed to reflect the introduction of the Procurement Act (2023) legislation and at the date of audit fieldwork, had yet to be completed.

Review of other NHS organisations indicated that the majority did not have local contract management guidance in place, an exception was noted for Aneurin Bevan University Health Board (ABUHB), where in conjunction with local NWSSP Procurement, there has been the development of a Contract Management Financial Control Procedure (FCP). The ABUHB FCP outlines roles and responsibilities for contract management, requiring designated contract managers to complete standardised 'Contract Management Plans' for contracts over £100,000 in value. Wider dissemination of the content from the FCP was discussed at the NWSSP Heads of Procurement meeting in February 2025, and there was support for its further roll out across other NHS Wales organisations.

The above could inform the basis for a health board guidance document, with consideration of enhancements identified from good practice elsewhere through supportive template documentation, expected reporting and escalation arrangements, and integration with the health board's risk management framework to provide robustness for wider use across the organisation (see **Action 1**).

Action 1: Contract Management Procedures

Recognising that some established good practice is now available from within the wider NHS, the health board may wish to engage with NWSSP Procurement Services in relation to implementation of the NWSSP Contract Management Procedure.

Objective 2: Contract registers are used as the basis for effective contract management and procurement planning.

A contract register is important, as it provides:

- Contract Tracking: to track important dates, such as start and end dates, renewal periods, and milestones associated with each contract.
- Compliance and Risk Management: to ensure that the organisation stays compliant with contract terms and legal requirements; and help identify any potential risks by keeping a record of contract clauses, obligations, and renewal terms.
- Audit Trail: provided for each contract, including amendments and performance evaluations. This makes it easier to track changes and decisions related to a contract.
- Centralised Repository: allowing easier access for teams like legal, procurement, and finance when they need to refer to specific terms, obligations, or other contract details.
- Improved Communication: enhances communication across departments, as everyone involved can refer to the register to ensure that they are aware of their obligations and responsibilities under various contracts.
- Budget and Financial Tracking: for financial management to track contract values, payment terms; and other financial aspects to ensure proper budgeting and forecasting.

The Social Partnership and Public Procurement (Wales) Act 2023 includes that a contracting authority must create, maintain, and publish a contract register. Reliance has previously been placed on information held in the Electronic Contract Management module of the Bravo e-Tendering system which sample testing, see *objective 4,* has highlighted this is not a reliable source with incomplete and/or out of date information. As determined through discussions with key officers, contract listings were available for some specific instances (listed below), however the health board does not hold a central, cumulative, list of contracts (see **Action 2**).

- NWSSP Procurement Services share a register of current year awarded contracts to a bi-monthly meeting of Finance leads.
- The Strategy Directorate maintains a list of active insourcing and outsourcing contract providers. It also holds a repository of third sector contracting arrangements, including tracking of financial activity and performance indicators (see *objective 4*).
- Capital and Engineering contractor payment information, including some contract terms, are recorded by the Finance team.

Action 2: Contracts register

Establish a health board-wide contract register to record and manage contract records and information.

Objective 3: Contract managers have access to relevant training and development.

This audit, and similar reviews at other NHS Wales Organisations, observed that contract management was undertaken by combination of:

- Dedicated contract managers;
- To fulfil an existing element of a job description / role; and
- As an unspecified additional responsibility.

The demands on staff was dependent on the specific performance monitoring requirements of the contract and varied significantly.

For the sampled contracts, there was no evidence of an assessment of the capacity / capability requirements to fulfil the role and / or the identification of any training requirements to address any gaps (see **Action 3**). Similarly, no specific contract monitoring training had been provided, although within our sample (see *objective 4*), all but one (7/8) had a reference to contract management within their job description.

The health board's SFIs include within Section 11.16.3 that 'Advice on best practice on Contract Management is available from NWSSP Procurement Services.' As per objective one, staff contacted through fieldwork did not have awareness of the NWSSP Procurement e-Manual, which contains contract management guidance (see **Action 4**).

Action 3: Training Needs Analysis

A mechanism should be established to ensure senior managers identify any specific training requirements to support operational contract management – reflecting the capacity / capability of individuals and the requirements of the specific contracts.

Action 4: Training provision

The health board should engage with other NHS Wales Organisations to develop contract management training, to ensure staff are equipped with the tools and skills to manage the key stages and lifespan of contracts.

Objective 4: Service levels/deliverables are specified in the contract, with standard terms and conditions applied, and are linked to service needs and monitored by the assigned contract manager/end user.

Standing Financial Instructions (11.6.1) require that "*The relevant budget holder, shall oversee and manage each contract on behalf of the health board so as to ensure that these implicit obligations are met*."

A sample of eight contracts were selected from the contract management module of the Bravo e-tendering system, and this was undertaken in conjunction with reviews taking place at other NHS Wales organisations to provide consistency of service/contract type where possible. Common themes across these reviews have been identified which will need a consistent approach to be addressed on an All-Wales basis, in conjunction with NWSSP's Procurement Services. Evidence from health board contract managers demonstrated ongoing contract management and operational understanding of the requirements of such, where exceptions have been identified below, these were accompanied by mitigations.

Through discussion with contract managers and review of documentation we identified the following:

Designated responsible officer/contract ownership: Whilst the audit was directed to certain individuals for the sampled contracts, not all individuals had not been formally assigned responsibility for contract monitoring - with some having had no prior involvement within the tendering process, which could impact on the understanding of the expectations of the role (see **Action 6**). The recording of Senior Responsible Officer and budget holder within contract documentation varied in documentation reviewed, two differences were noted in the contract leads recorded within Bravo (Waiting Well, IRIS), indicates a need for establishing a dedicated health board contract register (see **Action 2**).

Contract documentation: A final signed contract was not available for one item in our sample, Intervention and Referral to Improve Safety ('IRIS' a primary care support programme to identify domestic violence and abuse); and another, Allocate (electronic job planning software), could only be sourced through NWSSP's Procurement Services. The contract within Bravo for Swansea Council of Voluntary Services (SCVS) is a combination of nine separate service level agreements (SLAs), comprising core service funding and mental health initiatives, two of which were not available as final contracts (see **Action 5**).

Contract deliverables/performance measures: Review of contract documentation established that agreed and defined service deliverables were in place for six out of the eight contracts tested. For the two exceptions, a specification and franchise agreement formed part of the tender for IRIS; with the SCVS being part of an ongoing recommissioning programme (see VSRP below) (see **Action 5**). Contracts included detailed criteria for services or goods to be provided alongside associated key performance indicators and ongoing contract management arrangements, however frequency of review arrangements were not defined for two of the contracts (see **Action 5**). We noted that the health board has varied its approach to insourcing/outsourcing of surgical services, our sample included Orthopaedic procedures through a private provider. The contract reviewed did not contain a set number to be delivered, but following the receipt of additional Welsh Government funding a trajectory had been agreed to facilitate delivery within required timescales.

Contract management/monitoring: The formality of monitoring arrangements within our sample reflected the differences in value and business criticality, and this varied with monthly, quarterly, and annual arrangements noted. However, within these there were gaps where monitoring did not occur in line with expected timescales (Primary Care Vasectomy Service) (see **Action 5**). Additionally, we noted a steering group established to review the delivery of the IRIS contract is frequently chaired by the representative of the provider in the absence of the groups' lead (see **Action 5**). We were not provided with any monitoring or reporting arrangements for the Allocate system (see **Action 5**). During fieldwork we were also informed that notice had been served by the health board for the Waiting Well contract, due to its low levels of activity (see *objective 5*).

The health board's Voluntary Sector Recommissioning Programme (VSRP) involves review of SLAs, including SCVS, to coordinate service provision, and to refresh performance indicators and outcomes for each. No formal records of monitoring meetings could be provided for SCVS

SLAs; a performance monitoring spreadsheet ('3rd sector performance repository') is updated quarterly, but review of such identified varying levels of detail captured; (see **Action 5**). A Third Sector Performance and Quality Assurance Framework has been developed to provide a standardised basis for future provider performance monitoring and reporting, including annual quality and delivery meetings.

Action 5: Contract Ownership, Documentation and Management

Our review of contract management arrangements within the health board identified that not all individuals had been formally assigned responsibility for contract monitoring, with some having had no prior involvement within the tendering process, which could impact on the understanding of the expectations of the role.

Further we identified the following issues from our testing of a sample of six contracts:

- We could not evidence final contract documents in place for IRIS (the specification utilised in awarding the contract through the tendering process was available to demonstrate the contract criteria), and Allocate was only available through NWSSP Procurement Services records.
- Within the SCVS SLAs (nine in total), we noted that Social Prescribing SLA was available as draft only (dated 2023/24); and for the Tidy Minds Co-ordinator SLA, only the single tender action approval could be provided in place of a contract (dated June 2023).
- For the Primary Care Vasectomy Service, the annual performance review meeting due in October 2024 was not held until February 2025. The annual report received from the provider held limited detail on patient feedback and multi-disciplinary team review with the secondary care lead. We are advised these areas are being considered as part of contract retendering to take place in September 2025.
- The IRIS contract steering group is frequently chaired by the representative of the provider in the absence of the groups lead (4/4 meetings in the period July 2023 – September 2024), which would impact the independence of contract monitoring.
- We identified two contracts where the frequency of review arrangements were not defined, although reporting and management information did feature within the respective contracts: (Waiting Well, a discharge support service; and, Allocate, electronic job planning software).
- The contract for Allocate software had no reporting or monitoring arrangements in place, the contract manager outlined ad-hoc communication with the provider is in place should support be required.
- No formal records of monitoring meetings could be provided for the nine SCVS SLAs. Additionally:
    - Two SLAs had no KPIs, or data requirements listed (Building Stronger Bridges, Tidy Minds Co-ordinator).
    - Three SLAs had no data currently reported (Building Stronger Bridges, SCVS Core Funding, Mental Health Forum).
    - Two SLAs had data received but yet to be input (Mental Health Development Officer, Tidy Minds Co-ordinator).
    - Four SLAs held activity data, however no coverage of qualitative measures (evaluation or utilisation indicators) listed within SLAs.

Noting the above, the health board should ensure contract managers are aware of their responsibilities as required by the SFIs. This should reiterate the need to retain full and accurate records in support of contract ownership, contract documentation, and monitoring of contract performance.

Objective 5: Contract performance and risk is reported and managed within the health board's governance structure.

The SFIs relating to contract management (section 11.6) do not provide information on the expected minimum reporting, accountability and escalation arrangements in relation to contracts.

Our review observed varying approaches to monitoring arrangements, with most individuals with responsibility for contract monitoring outlining that escalation reporting was exception based; however, reporting routes for escalation were not clear for all contracts within our sample with no criteria to guide circumstances where this should occur. Performance reports featured within the Planned Care Programme Board (PCPB) for insourcing/outsourcing, and the use of reporting to both Management Board and the Board where significant changes in approach were approved i.e., for insourcing/outsourcing and the extension of the VSRP was required. It is important that the health board defines the expected internal monitoring / reporting arrangements at the outset of the contract – cognisant of the risk, value, complexity and strategic importance of the contract (see **Action 6**).

Action 6: Reporting, Escalation and Risk Management Arrangements

Expected internal monitoring / reporting arrangements should be defined at the outset of the contract – cognisant of the risk, value, complexity and strategic importance of the contract.

Minimum requirements could be defined within the contract management procedure (see **Action 1**), with any divergence subject to appropriate approval. The amendment to the Waiting Well contract (see objective 4), widened the service criteria to gauge possible alternative demand outside of its original specialty, was supported by the PCPB in September 2024.

Discussion with contract managers confirmed that they were aware of operational risks related to non-delivery of contracts, however we did not identify formal risk management practices relating to contract risk.

The Audit Committee receives an update on procurement activity, including newly awarded contracts and contract extensions. Since May 2024 this has also included detail on retrospective file notes for any contract extensions, or amendments undertaken without procurement support, which have resulted in breaches of SFIs. Discussion with the Head of Procurement (an NWSSP role with responsibility for the health board) noted limited ability to prevent these, as they may only be identified post agreement when expenditure is identified by NWSSP's Procurement Services, and guidance in relation to compliance is provided to avoid further breaches. In developing a health board contract register there will be the ability to provide regular assurance that contracts are managed appropriately, and provide awareness of contract renewal status (see **Action 2**).

Appendix A: Assurance Opinion & Prioritisation of Findings

Assurance Opinion

 **Substantial**	Few matters require attention and are compliance or advisory in nature. **Low impact** on residual risk exposure.
 **Reasonable**	Some matters require management attention in control design or compliance. **Low to moderate impact** on residual risk exposure until resolved.
 **Limited**	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved.
 **Unsatisfactory**	Action is required to address the whole control framework in this area. **High impact** on residual risk exposure until resolved.
 **Advisory**	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

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