

Audit Committee – 26 November 2021

Title of paper:	Contract Management and Procurement Dispensations Audit Reports update	
Director(s)/ Corporate Director(s):	Clive Heaphy – Interim Corporate Director Finance and resources	Wards affected: All
Report author(s) and contact details:	Steve Oakley – Head of Contracting and Procurement steve.oakley@nottinghamcity.gov.uk	
Other colleagues who have provided input:	None	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note the actions already completed and the impact of these actions	
2.	Agree actions planned and being implemented, noting the planned impact of these actions	

1. Reasons for recommendations

- 1.1 Internal audit recently issued two reports into Contract Management and Procurement Dispensations respectively. Together, these identified a number of actions that Nottingham City Council needs to implement across all departments to ensure compliance with Contract Procedure Rules and to deliver best value. The actions identified are considered to be in line with contracting and procurement best practice and should be implemented to ensure the Council has robust processes in place for procurement and contract management.
- 1.2 A number of actions have already been completed and these are having a significant impact with increased requests to support teams with undertaking procurement exercises.

2. Background

- 2.1 The Contract Management Audit was initially undertaken in 2020 with actions planned during 2020. Due to COVID-19 actions were delayed due to the pressures on teams to deliver a response to the pandemic. The subsequent review of the audit in 2021 clearly identified that actions are still required.
- 2.2 The Procurement Dispensation report was undertaken as a follow up to an initial review of Dispensations by the Head of Contracting and Procurement. The review and audit identified significant non-compliance with Financial Regulations and Contract Procedure Rules which resulted in higher than would be expected requests from officers for Dispensation from Financial Regulations.

- 2.3 These two audit reports are separate in their own right, although the issues raised in each points to historic non-compliance with procedures and a need to ensure Contract Management and Procurement processes are embedded across the Council.
- 2.4 The recovery and improvement plan workstream within Procurement has identified the need to develop an operating model that supports commercial decision making so that all decisions are robustly considered and implemented in a way that gets best value for the Council and the citizens of Nottingham and also ensures probity.
- 2.5 Improving Contract Management and adherence to Contract Procedure Rules will ensure goods, services and works are procured through a process that provides best value and ensures contractors deliver in line with the contract.
- 2.6 **Key actions undertaken**
 - 2.6.1 The revised constitution has updated Contract Procedure Rules (CPRs) which includes an exemption from CPRs form that needs to be completed when a Corporate Director wants to deviate from full compliance with the CPRs. There will be occasions when exemptions are approved. All exemptions will be reported to CLT on a quarterly basis.
 - 2.6.2 A report and presentation was presented to Corporate Leadership Team (CLT) and Senior Leadership Forum in September where the issue of non-compliance with CPRs was raised. From this it was agreed that all departments need to plan with Procurement to ensure that contracts were let in future in line with CPRs. This has resulted in a significant increase in Procurement activity. Each Departmental Leadership Team (DLT) has been attended and Category Managers will now be attending divisional meetings to work on developing an accurate view of the contracts each Division have.
 - 2.6.3 With the implementation of Oracle Fusion a new process for raising Purchase Orders has been implemented. This process requires all spend over £25k to have a dedicated Contract Purchase Agreement (CPA) set up. Procurement manage the CPA process and are now able to identify all occasions where contracts are being set up outside of CPRs.
 - 2.6.4 Contract Management Training has been reviewed and for colleagues who undertake Contract Management as the majority of their role then the Central Government Commercial College training would be the best currently available. For other colleagues work is underway with HR to develop a suite of Contracting and Procurement Training that can be undertaken by all colleagues who role in procurement or managing suppliers.
- 2.7 As part of the Recovery and Improvement work it had been identified that additional resources are needed to support the implementation of best practice contract management. These resources have recently been agreed at Transformation Board and therefore the other actions within the Contract Management Audit can proceed with an aim to have implemented all actions by July 2022. The Head of Contracting and Procurement will lead the implementation of this programme over the next nine months.
3. **Background papers other than published works or those disclosing exempt or confidential information**
 - 3.1 None
4. **Published documents referred to in compiling this report**

4.1 Follow-up audit report Contract Management 2021

4.2 Internal Audit Report Procurement Dispensations