

Audit Committee – 31 March 2023

Title of paper:	Contract Management and Procurement Dispensations Audit Reports update	
Director(s)/ Corporate Director(s):	Ross Brown – Corporate Director of Finance and Resources	Wards affected: All
Report author(s) and contact details:	Steve Oakley - Head of Procurement Steve.oakley@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Michael Hainge – Director of Commercial, Procurement and Contract Management	
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 issued in 2020/21 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 were 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. With a reduction in the number of exemptions as per the Exemption Report presented to Audit Committee on the 31st March 2023.

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 Resources were agreed through the Transformation Programme and these have been used to develop a new Operating Model for Commercial, Procurement and Contract Management. This informed the senior management restructure in 2022 and the restructure of Procurement that is currently underway.
- 2.5 A Director of Commercial, Procurement and Contract Management was appointed in November 2022 and has developed the Commercial Strategy alongside supporting the implementation of the new Operating Model.
- 2.6 The new Operating Model will further support 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.
- 2.7 The funding for the new structure including 15 additional posts was agreed at Full Council on 6th March 2023.

3. **Key Actions Undertaken**

- 3.1 Quarterly reports on exemptions are reported to Audit Committee showing the number of exemptions and why approved.
- 3.2 New Operating Model for Commercial, Procurement and Contract Management agreed at CLT and additional resources included in MTFP for 2023/24. This has been agreed as part of the Budget Report taken to Full Council on 6th March 2023.
- 3.3 Appointed a Change Lead for Commercial, Procurement and Contract Management and a Procurement Officer to support the implementation of the new Operating Model. Over £400k of savings identified for the Council in 2022/23 with plans being developed for savings over the next 4 years.
- 3.4 Appointed the Director of Commercial, Procurement and Contract Management on a 9 month contract and in process of appointing the Head of Commercial Oversight and Governance.
- 3.5 Produced the Procurement Pipeline for 2023/24 for each Corporate Director showing all planned activity until October 2024.
- 3.6 Communications strategy developed and being implemented across the Council.
- 3.7 Procurement Training Pack published and available for all colleagues via the Learning Zone. The Contract Management Training has been produced and will be published by 31st March 2023. Several colleagues have completed the Commercial Colleges Contract Management Training at Foundation Level and a number are now undertaking the Practitioner Level.
- 3.8 First draft of Commercial Procurement and Contract Management Handbook has been produced and will be published by 31st March 2023.

4. **Next Steps**

- 4.1 Procurement and Contract Management Training to be mandatory for all staff who undertake any purchasing in their role. Ensuring colleagues understand the need for

contract management and procurement which will drive best value and ensure the Council receives the goods, works and services it needs to function.

- 4.2 Recruit to the new structure and fully implement the new Operating Model. This will ensure delivery of best practice Procurement and Contract Management across the Council whilst improving decision making.
 - 4.3 Develop policies for Delivery Model Assessment and Strategic Contract Management. These will support the development of the business case for all decisions ensuring that the rationale for a specific model can be evidenced as providing best value.
 - 4.4 Review the current Procurement Strategy and draft new Strategy for 2024-2028. This will ensure the new strategy addresses the best value requirements of the council and drives delivery of Council Plan targets through Procurement where appropriate such as Carbon Neutral 2028.
 - 4.5 Review the Contract Procedure Rules to reflect best practice identified during the development of the new Operating Model. This will ensure decision making is efficient and effective.
 - 4.6 Complete the National Procurement Strategy diagnostic and develop an action plan to address key weaknesses identified. Using this diagnostic tool will help support benchmarking and identify areas that need further action.
5. **Background papers other than published works or those disclosing exempt or confidential information**
 - 5.1 None.
 6. **Published documents referred to in compiling this report**
 - 6.1 Contract Management and Procurement Dispensations Audit Reports update November 2021.