

Audit Committee – 24 November 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 Neil McArthur, Director of Commercial, Procurement and Contract Management	Wards affected:
Report author(s) and contact details:	Steve Oakley, steve.oakley@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
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 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 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 were still required.
- 2.2 The Procurement Dispensation report was undertaken in 2021 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 for Dispensation from Financial Regulations.

- 2.3 These two audit reports are separate in their own right, although the issues raised in each pointed to historic non-compliance with procedures and a need to ensure Contract Management and Procurement processes are embedded across the Council.
- 2.4 Actions have been undertaken over the last two years to address the issues outlined in the reports these actions are included in the table 1 below with a summary of their impact.

Table 1

Action Completed	Impact	Date Completed	RAG Rating	Comments
Exemptions managed by Procurement with all requests considered against Contract Procedure Rules and Public Contract Regulations 2015.	Improved compliance and a reduction in exemptions being sought and approved.	Nov-21	Green	
Procurement Handbook completed to advise colleagues on procurement.	Increased understanding of procurement and compliance with procedures.	Mar-23	Green	
Communication plan outlining the developments within the Commercial, Procurement and Contract Management area and the impact across the council.	Improved compliance with commercial processes ensuring best value is delivered.	March 2023 and then ongoing	Green	
Commercial, Procurement and Contract Management new Operating Model implemented.	Improved capacity to manage whole Commercial cycle and improve compliance.	Apr-23	Amber	Difficulty recruiting and then the subsequent recruitment freeze has delayed and now resulted in a scaling back of the work programme of commercial oversight and strategic contract management.
Contract management and Procurement Training packages available to all colleagues.	Improved understanding of Contract Management and Procurement leading to compliance with best practice.	Apr-23	Green	

Action Completed	Impact	Date Completed	RAG Rating	Comments
Advertised Government Commercial College Contract Management Training to all colleagues.	Those involved in contract management are able to access fully accredited training leading to improvements in contract management across the organisation.	Apr-23	Green	
Updated Procurement Pipeline agreed at Commercial Oversight Board.	Improved planning and category management to bring requirements together and identify potential savings.	Apr-23	Green	
Commercial Oversight Board set up.	Improved governance over Commercial decision making.	May-23	Green	
Reviewed and amended the Contract Procedure Rules.	Improved processes and clear guidance on governance of Contracts.	Jul-23	Green	
Introduction to Commercial Procurement and Contract Management for Councillors.	Improved understanding of the role of Councillors in Commercial decision making.	Oct-23	Green	
Commercial Hub attended Directorate Leadership Teams to improve understanding of the role of the function.	Improved compliance and understanding of the processes.	Oct-23	Green	

2.5 Further actions are underway to improve the position further as outlined in table 2.

Table 2

Planned action	Planned impact	Date due	RAG Rating	Comments
Development of a revised Commercial Strategy to replace the existing Procurement and Commercial Strategies.	To provide and updated clear set of aims, objectives and actions for Commercial Hub activity, which are aligned to Council Plan and national best practice.	Jan-24	Amber	Recruitment freeze impacting capacity to complete this work on time.

Planned action	Planned impact	Date due	RAG Rating	Comments
Develop process and templates for self-service below £100k procurement.	Supports divisions to run compliant quotation processes and ensures transparency requirements are adhered to.	Jan-24		
Development of risk assessment processes for identifying high risk procurement and contract management activity.	Reduce risks related to Commercial activity such as supplier failure.	Apr-24	Amber	Some delay due to recruitment freeze.
Development of an electronic system for requesting Contract Purchase Agreement.	Improved internal control to check compliant procurement route.	Apr-24	Green	
Development of an electronic system for requesting Exemption from Contract Procedure Rules.	Improved electronic process for exemptions ensuring appropriate governance and approval.	Apr-24	Green	
Review of Contract Management and Procurement IT systems ahead of procuring an integrated system.	Improved data to enable risk management and intervention on contracts. Reducing manual input and duplication.	Apr-24	Green	
Redesign of Commercial, Procurement and Contract Management Intranet pages.	Improved information about Commercial Hub services and processes to improve compliance and support decision making.	May-24		
Development and implementation of a Contract Management Framework.	Standardisation of contract management requirements including performance management with Commercial Hub support.	April 2024 development September 2024 implemented	Amber	Some delay due to recruitment freeze.

2.6 There has been some measurable impact from the work set out in table 1 that can be evidenced including: -

- 2.6.1 Reduction in exemptions from 16 per quarter in 2019-2021 to an average 8.25 exemptions approved each quarter in 2022/23. Which equates to a 48.4% reduction in exemptions.
- 2.6.2 The improved focus on governance has led to improvements in the quality of decisions and in the specification of requirements. This has resulted in more effective and efficient procurement which will ultimately drives better services and outcomes.
- 2.6.3 The efficiency and effectiveness of Procurement can be seen through a reduction in cost or increased income from concession contracts of circa £2m since April 2022. Whilst the majority of this is related to specific grants or ring-fenced budgets this represents a significant return on investment when compared to the additional £1m in the Commercial, Procurement and Contract Management division.

3. Background papers other than published works or those disclosing exempt or confidential information

- 3.1 Contract Management Audit 2021
- 3.2 Procurement Dispensation Requests Audit 2021

4. Published documents referred to in compiling this report

- 4.1 Contract Management and Procurement Audits 2021 - 26 November 2021
- 4.2 Contract Management and Procurement Audit Reports Update - 31 March 2023