

FALKIRK COUNCIL

Subject: AUDIT REPORT – PROCUREMENT IN COUNCILS
Meeting: SCRUTINY COMMITTEE
Date: 1 DECEMBER 2014
Author: DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

1. INTRODUCTION

- 1.1 This report provides Members with a summary of the above report published in April 2014 by the Accounts Commission and asks that Members consider the report and its recommendations.

2. BACKGROUND

- 2.1 The aim of the review undertaken by Audit Scotland was to assess whether Councils are efficiently and effectively managing how they procure goods and services. The specific objectives of Audit Scotland were to determine:

- How much do Councils spend on goods and services and what savings and other benefits have Councils identified through better procurement?
- Do Councils manage procurement well and have good governance in place, in line with good practice?
- How well is Scotland Excel helping Councils to improve procurement and achieve savings in spending on goods and services?

- 2.2 The review process consisted of evidence gathering from:

- Published and unpublished information on procurement, including the results of Councils' Procurement Capability Assessments (PCAs) undertaken by Scotland Excel
- Fieldwork at six Councils and Scotland Excel
- A survey of all 32 Councils and analysis of data from the Scottish Government Procurement Information Hub (the Hub)
- Interviews with representatives from the Scottish Government, Scotland Excel and private sector organisations.

- 2.3 The process was therefore based upon a broad sphere of work and drew upon information from a variety of sources.

3. SUMMARY OF KEY MESSAGES

- 3.1 Councils spent over £5.4 billion on goods and services in 2012/13 and they account for over half of the total public sector procurement spend in Scotland. Procurement in Councils now has a higher profile and Councils are buying more goods and services collaboratively.

- 3.2 There was evidence that Councils are systematically using procurement spending to support local economic development and new legislation and EU directives will bring about further change.
- 3.3 Councils are relying on procurement to generate savings to meet budget pressures and further savings are possible if Councils were to make greater use of collaborative contracts and replace paper-based systems with ‘purchase to pay’ compliant ICT systems. Councils investing in qualified staff and improved systems can improve service quality and achieve financial savings.

4. FALKIRK COUNCIL REFERENCES IN THE REPORT

- 4.1 Falkirk Council is specifically referenced as a good practice example in the following areas:

Environmental benefits

- 4.2 Falkirk Council has specified a minimum mandatory standard for cleaning products and cleaning services. Contract award conditions included an environmental assessment of tenderers' proposals and the Council monitors contractor performance throughout the lifetime of the contract.

Individual Contract Strategies

- 4.3 PCA evidence (2013) indicates that less than a third of Councils perform well in this area and only 5 out of the 32 Councils (East Lothian, Falkirk, Midlothian, Renfrewshire and Scottish Borders) have over 90% of spend covered by a contract strategy.

5. RECOMMENDATIONS FOR ALL COUNCILS

- 5.1 The table below highlights the key recommendations from the report. The recommendations are categorised in relation to actions for staff, Corporate Management Team and Councils.

5.2

Council Staff engaged in procurement should:	Falkirk Council Position
1. Submit accurate and complete information to the procurement Hub on a regular and timely basis (ideally quarterly, and as a minimum within three months of the end of the financial year)	We currently meet this requirement and this is verified annually by Scotland Excel.
2. Examine the costs and benefits of differentiating ALEO and Council expenditure in their Hub submissions	Our Hub submissions differentiate expenditure.
3. Make greater use of the tools and facilities provided by the Hub, including the use of BPIs for performance reporting and to benchmark progress.	We use the Hub for analysis of spend and suppliers.

4. Engage earlier with suppliers and the people who use public services to help develop contract specifications etc.	Contract Strategies include for supplier consultations.
5. Use the Public Contracts Scotland tender (PCS-T) module for all applicable contracts	Pilot testing of PCS-T has been undertaken and the outcomes of the pilot are being evaluated.
6. Make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant Council committee.	We participate in c90% of available national contracts.
7. Develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant Council committee on a regular basis.	Contracting savings are reported through contract award reports.
8. Calculate procurement savings using a consistent and transparent methodology that demonstrates how savings are calculated and their relationship to improved procurement.	Savings are reported through a benefits tracker and figures agreed with Finance Services.
9. Make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements.	Commodity team structures now established, to support these actions
10. Aim to achieve the superior performance level in the PCA.	Specified objective of the 2014-17 Procurement Strategy

5.3 For 60% of recommendations (1,2,5,6,9 and 10) the Council has plans or procedures in place. For the remaining 40% (3,4,7 and 8) of recommendations although procedures are in place these could be strengthened and improved. Work is on-going through the Corporate Procurement Unit and Procurement Board to improve and strengthen where necessary.

5.4

Councils Corporate Management Team should:	Falkirk Council Position
11. Benchmark their procurement staffing against similar-sized Councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels	This exercise was completed in 2011 and contributed directly to the Council reaching Improved Procurement status.
12. Examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts.	Currently achieving high levels of collaborative spend across all commodity areas.
13. Phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis.	Finance Services leading wide ranging Purchase to Pay improvement across all Council spend.

14. Raise staff awareness of accountability and controls by implementing a written code of ethics requiring staff involved in procurement to complete a register of interest statement require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.	The Council currently has codes in place and we regularly train staff. Monthly Internal Audits of procurement risk are also undertaken.
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5.5 These recommendations (11 through to 14) of good practice are in place in Falkirk Council.

5.6 Finally it is recommended that **Council's** should:

15. Require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate Committee on a regular basis
16. Encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.

5.7 In relation to recommendation 15 it is the intention to cover procurement savings and non-financial procurement benefits through 6 monthly reports to Members. So far as recommendation 16 is concerned the appropriate Committee dealing with procurement matters is the Council's Executive. It is therefore suggested that Committee remit the issue of procurement training to the Executive for further consideration.

5.8 Finally, the report has 4 recommendations where action is sought from the Scottish Government, Scotland Excel and joint action between Council's and Scotland Excel.

	Falkirk Council Position
<p>The Scottish Government should:</p> <ul style="list-style-type: none"> work with Councils to review and update the Best Practice Indicators (BPIs), drawing on Councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to Councils. 	<p>A review of the BPIs would be welcomed.</p> <p>We currently upload BPI information on an annual basis to the HUB.</p>
<p>Scotland Excel should:</p> <ul style="list-style-type: none"> maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies set realistic timescales for contract development, particularly in new areas of contracting 	<p>These are matters for consideration by Scotland Excel, however they evidence the challenges Scotland Excel face in working with such a broad range of partners.</p>

<p>Councils and Scotland Excel should:</p> <ul style="list-style-type: none"> • Review and formalise arrangements to fund procurement reform activity beyond 2016. 	<p>Scotland Excel was established with a grant of £4.5 million from Scottish Government (set up and procurement reform). These funds will run out in two to three years. Scotland Excel is reviewing options for long-term funding of reform activity. The financial impacts for Council's will require to be closely monitored.</p>
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6. RECOMMENDATIONS

6.1 It is recommended that Members:

- Consider the Accounts Commission's report;
- Note the good practice example listings for Falkirk Council as highlighted in paragraph 4.2 and 4.3;
- Note the Council's position in respect of the report recommendations as outlined in Section 5; and
- Remit to the Executive the issue of procurement training.

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DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

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