

Appendix 1: Audit Scotland: “Procurement in Councils” – Recommendations & Angus Council’s Current Position

The Scottish Government should 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.

Angus Council’s Position on this Recommendation:-

We agree that this review of BPIs is a necessary and overdue step. Angus Council regularly contributes to BPI information collection but without a common and practical methodology much of it is currently meaningless.

Scotland Excel should:

- 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.

Angus Council’s Position on this Recommendation:-

We agree that closer and better working with Scottish Futures Trust (SFT) is highly desirable to ensure that the SFT and the related regional “hub co’s” activity is optimally aligned to the Scottish procurement landscape and to the Scottish model of procurement. There is significant concern concerning the impact of the hub co model on small supplier opportunities and local economic impact specific to the areas in which joint / community assets are being developed. However, this should not be simply a recommendation aimed at Scotland Excel. SFT’s activities are cross-public sector. This should be an action on Scottish Government to review the procurement process of SFT and its associated joint venture companies to ensure that optimal alignment is and will be achieved.

Based on some of the Council's experience with HubCo contracts, doubts have been raised over the visibility of 'bulk procurement' savings benefits projected from this procurement route, the impact on smaller contractors and local economies and the extent of alignment of this route with the wider Scottish Model of procurement. The Audit Scotland report’s recommendation is therefore welcome but could go further and include HubCo information within the the scope of the audit.

We agree that Scotland Excel’s contract development timescales must be realistic. However, this recommendation seems to curiously relate to a historic position even in terms of the audit report’s own evidence:

“Scotland Excel acknowledges that its original timescales were ambitious because of the high level of stakeholder and market engagement required for developing some contracts. It remains confident of meeting its overall target of £750 million by 2014/15”

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Angus Council’s Position on this Recommendation:-

Scotland Excel’s approved budget and Councils’ funding commitment is only set to the end of 2015/16. It will of course have to be reviewed. The recommendation is agreed but unnecessary. No Angus Council action is required specific to this recommendation.

Council staff involved in procurement should:

- 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)

- examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions
- make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress
- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- 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
- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements
- aim to achieve the superior performance level in the PCA, particularly in relation to:
 - ⇒ spend covered by agreed commodity/project strategies
 - ⇒ participation in Scotland Excel contracts
 - ⇒ automation of procurement and payment processes
 - ⇒ spend captured in the council's contract register.

Angus Council's Position on this Recommendation:-

- Angus Council's corporate procurement team have taken on full responsibility for submitting accurate and complete information to the Scottish Procurement Information Hub (the "Hub") on a regular and timely basis (quarterly). However the part of the recommendation relating to submission of final annual update information within three months of the end of the financial year is under discussion between at Scottish government and Scotland Excel in terms of overall (local government) sectoral feasibility. The setting of a clear and realistic annual timetable should be addressed in the BPI review referred to above. No Angus Council action is required specific to this recommendation.
- In terms of the "costs and benefits of differentiating arms length external organisation (ALEO) and council expenditure in their Hub submissions", the only organisation of relevance in this category is Tayside Contracts. Angus Council formed a view a number of years ago that Tayside Contracts, as a co-purchasing public body, should be accounted for separately in terms of analysis of its procurement spend and that the Council's spend with Tayside Contracts, as internal / "out of scope" spend should be excluded from the Council's analysed procurement spend to avoid double-counting. This approach is logical and works well in terms of usable spend analysis. The Council sees no value in revisiting that approach. No Angus Council action is required specific to this recommendation.
- Angus Council makes full and proactive use of the tools and facilities provided by the Hub. For example in active monitoring reporting of our local / SME spend progress, year-on-year. The use of BPIs is addressed above and this data should only be used if and when it is capable of effective use following the BPI review referred to above. No Angus Council action is required specific to this recommendation.
- Angus Council agrees that earlier engagement with suppliers and the people who use public services over specification development, market capability and innovation is an essential feature of good procurement. The same is true of use of market research, cost avoidance and improved contract management to identify savings and potential service improvements. These all need to be part of a one-Council approach to procurement process features as part of the "business-as-usual" approach of fully trained and capable specialist procurement officers. The extent to which it is implemented is necessarily related to the Council's procurement structure. As such, the action which Angus Council needs to take to give effect to these recommendations is necessarily related to the Council strategic procurement review outcomes.
- Use of the Public Contracts Scotland tender module is under active consideration in the Council.

The Angus Council action required in response to this recommendation is, through the Corporate Procurement Group and in consultation with Tayside Procurement Consortium (TPC) central team, identify the pipeline of Council projects in 2014/15 and beyond which will be used to trial use of PCS-Tender, having due regard to the potential for adverse impact on small / local suppliers who are not ready to engage with this relatively complex system.

- Angus Council already has governance in place via the TPC Steering Group (the Angus Council representative on which acting with full delegated powers is the Head of Corporate Improvement and Finance) to make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts (rather than through Council Committees). This is highly effective. Angus Council's participation rates for 2012/13 in, for example, were:
 - ⇒ Scotland Excel contracts - 98%
 - ⇒ Scottish Procurement contracts – 73%with valid reasons presented and approved for non-participation (usually a lack of requirement). No Angus Council action is required specific to this recommendation.
- The recommendations regarding having a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits, benefits reporting and using a consistent and having a transparent procurement savings methodology can be addressed together. Angus Council, through the support of TPC, has a systematic approach to savings benefits reporting and is developing an improved non-financial benefits reporting approach. However, this only applies to the categories of commodity and spend looked after by or through TPC, namely the collaborative category A, B & C1 commodities. No such approach is applied to local category C commodity spend which makes up in total around 80% of Council procurement spend. Reservations have been expressed about the capacity of for example construction procurement specialists who also charge fees to Services for their work to report on benefits achieved through procurement. In order to set up processes, collate information, provide reviews and reports a significant element of 'additional services' would have to be allowed for. Again, however, these all need to be part of a one-Council approach to procurement process featured as part of the "business-as-usual" approach of fully trained and capable specialist procurement officers. The extent to which it is implemented is necessarily related to the Council's procurement structure. As such, the action which Angus Council needs to take to give effect to these recommendations is necessarily related to the Council strategic procurement review outcomes.
- The recommendation relating to the Council aiming to achieve the superior performance level in the PCA (75% plus) is laudable but (a) assumes that the PCA is accepted across the whole organisation as a sound measure of our procurement capability and (b) requires a different approach to procurement than the one the Council currently has. Angus Council is currently scoring 51% and our projected improvement trajectory (if only the current incremental changes continue) is fairly flat. The specific examples cited in the Audit Scotland are not worth pursuing in isolation. The extent to which this aim is achievable is necessarily related to the Council's procurement structure. As such, the action which Angus Council needs to take to give effect to these recommendations is necessarily related to the Council strategic procurement review outcomes.

Councils' corporate management teams should:

- 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
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- 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.

Angus Council's Position on this Recommendation:-

- The recommendation to benchmark procurement staffing is a worthwhile one and will be addressed as an essential part of phase one of the Council's strategic procurement review. This action will be subsumed into the Council strategic procurement review outcomes. Again, however, this recommendation is curiously aimed and seems to betray a lack of full appreciation in the Audit Scotland report of what the "centre of expertise" role of Scotland Excel actually means. Scotland excel are not just a central purchasing body delivering collaborative contracts, they are a centre of procurement expertise. Although this role is recognised in the introduction to the report, no reference is made to it in the section dealing with this recommendation. As such they have a role to lead procurement improvement for the Scottish local government sector. The identification of a sectoral procurement improvement programme is a role for Scotland Excel as centre of expertise and this benchmarking exercise would fit well with that role.
- Joint working is part of the Council's procurement strategy expressed by the creation of the TPC shared procurement service amongst Angus, Dundee City and Perth & Kinross Councils along with Tayside Contracts. No Angus Council action is required specific to this recommendation.
- Phasing out paper purchasing systems and developing the business case for moving all purchasing systems to an electronic 'purchase to pay' basis an essential part of phase the Council's strategic procurement review. This action will be subsumed into the Council strategic procurement review outcomes.
- Staff awareness of procurement accountability and controls is already addressed as follows:
 - ⇒ Code of ethics – Angus Council has an Employee Code of Conduct which includes specific requirements and guidance on contracts, gifts and hospitality. A register of interests system exists. This forms part of induction arrangements for all Council staff. Procurement basic awareness training (eLearning) will also shortly form part of approval arrangements for all Council authorised procurement staff.
 - ⇒ Regular dialogue between procurement and internal audit functions already takes place on annual audit plans. Procurement risks also form part of the corporate risk register which is regularly reviewed as part of corporate governance processes.

No Angus Council action is required specific to this recommendation.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis
- 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.

Angus Council's Position on this Recommendation:-

- Angus Council Policy & Resources Committee receives an annual report on the performance of the procurement function, including procurement savings and non-financial procurement benefits. As referred to above, a one Council approach to this reporting fully addressing local category C commodity activity as well as collaborative activity is an improvement area which it is implemented is necessarily related to the Council's procurement structure. As such, the action which Angus Council needs to take to give effect to that recommendation is necessarily related to the Council strategic procurement review outcomes.
- Angus Council elected members receive the opportunity for regular procurement training (every 2 years or so), the last having been held in February 2013 (23 out of 29 councillors attended, 79%). Angus Council has also entered into dialogue with Scotland excel proposing the more effective delivery of councillor training on a "tiered" and consistent basis. No Angus Council action is required specific to this recommendation.