

**ANGUS COUNCIL**

**SCRUTINY AND AUDIT COMMITTEE – 26 AUGUST 2014**

**AUDIT SCOTLAND – PROCUREMENT IN COUNCILS**

**JOINT REPORT BY CHIEF EXECUTIVE AND  
HEAD OF CORPORATE IMPROVEMENT AND FINANCE**

**ABSTRACT**

This report presents for the Committee's interest and review the content of the recent report from Audit Scotland on behalf of the Accounts Commission relevant to the business of the Council and the role of this Committee. It brings to Committee's attention the Audit Scotland Report "Procurement in Councils" published in April 2014 for consideration in terms of its implications for assessment of the governance, risk and internal control of the Council's procurement activity.

**1. RECOMMENDATION(S)**

It is recommended that the Committee:

- (i) reviews the Audit Scotland Report "Procurement in Councils" published in April 2014, [Appendix 2](#) to this report;
- (ii) considers the analysis of the Audit Scotland Report set out in this report, particularly Section 5;
- (iii) approves the analysis of issues and proposed Council approach in response set out in Section 5 of this report, making any further comment considered to be appropriate by the Committee; and
- (iv) authorises the Head of Corporate Improvement & Finance to send this report and [Appendix 1](#) to Audit Scotland and the Scottish Government for their consideration.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

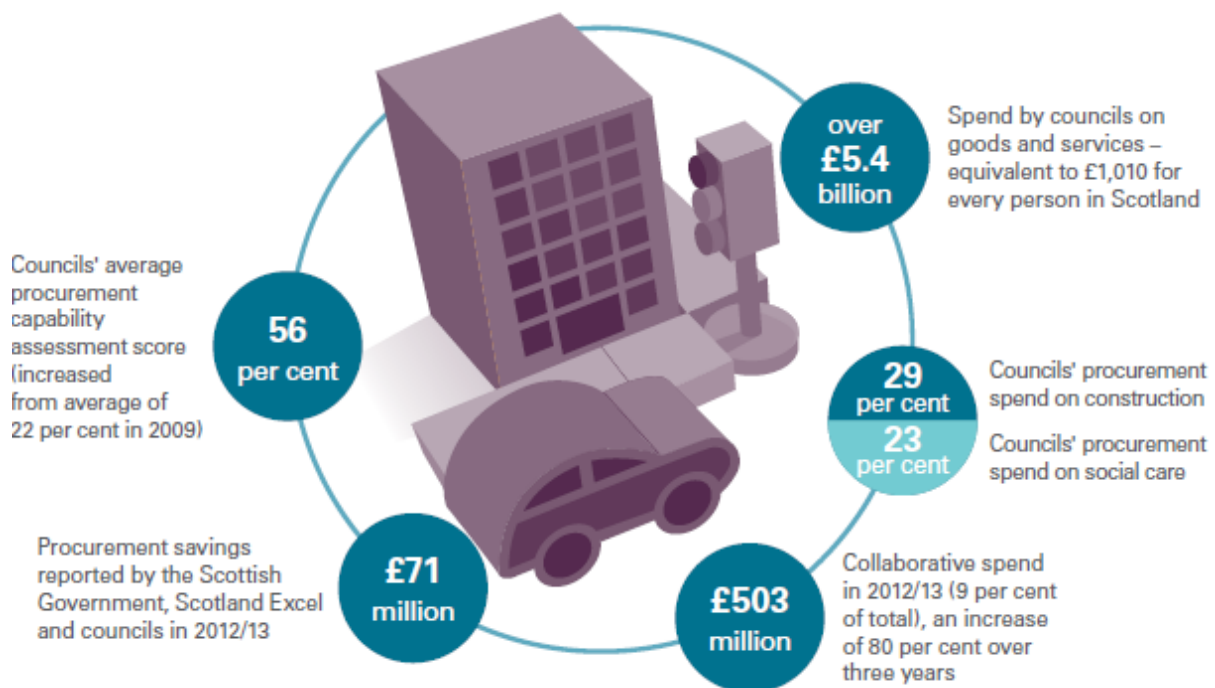
This report supports services in the delivery of the local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016 as a key part of the Council's overall governance arrangements and thus supporting all of the outcomes the Council is trying to achieve.

**3. BACKGROUND**

Audit Scotland was commissioned by the Accounts Commission to report on procurement in Scottish local government. Work started in September 2013 and the report was published in April 2014. A copy of the full Audit Scotland report is available in the Information Hub. The full report is also attached as appendix 2.

**4. SUMMARY OF AUDIT SCOTLAND REPORT**

- 4.1 The report sets out the following key facts:



#### 4.2 The report also sets out the following key messages:

- Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector procurement spend in Scotland. This spending is extremely diverse, although more than half is on social care and construction. Since 2006, initiatives by the Scottish Government and Scotland Excel have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils are buying more goods and services collaboratively. New legislation and EU directives will bring about further change.
- Councils can use procurement to improve service quality and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development. Councils have recently begun to make community benefits such as apprenticeships and environmental improvements an integral part of contracts.
- Councils' spending through collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of their total procurement spend. This percentage is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts. The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts and replace paper-based systems with 'purchase to pay' compliant ICT systems.
- Councils and Scotland Excel have used the Procurement Capability Assessment process to improve procurement practice. All councils have improved their procurement capability since 2009; however, the average assessment score has only reached 56 per cent. The rate of improvement varies among councils and some need to improve more quickly.

Councils that invest in qualified procurement staff and improved systems can both improve service quality and achieve financial savings.

## 5. ANALYSIS OF ISSUES FOR ANGUS COUNCIL

- 5.1 The list of recommendations for the Audit Scotland Report along with a detailed response to each recommendation in terms of the Council's current position in relation to them forms **Appendix 1** to this report. The following analysis distils the key themes arising from those recommendations and detailed responses.
- 5.2 Collaborative buying is very much part of the Council's approach to achieving value from its procurement and the Council is a leader in that regard. Angus Council uses almost all collaborative contracts that Scotland Excel (and Scottish Procurement) have produced. The Council is a partner within the Tayside Procurement Consortium (TPC), one of 2 shared procurement service approaches in Scotland (the other being Aberdeen City/shire Councils). Angus is well placed to build on the opportunity that TPC offers and is to conduct a strategic review of its procurement approach / structure.
- 5.3 Angus Council has a strong focus and is displaying considerable good practice already in terms of achieving positive local economic impact through its procurement activity. Opportunity exists for the Council's approach to delivering sustainability (economic, environmental and social) and community benefit from its procurement needs to be strengthened yet further. Opportunity also exists for the procurement function to bring commercial expertise more into play in the Council's relevant service planning and delivery. This is through a challenging approach to specification, better engagement with suppliers over our requirements and better contract and supplier management to achieve continuous improvement to our contracts.
- 5.4 To maximise the benefits that can be achieved from procurement, it has to be seen as a function as being more than just buying the goods, services and works the Council needs. It is about achieving the Council's objectives through commercial means. The way to do that is to ensure the underpinning of all Council procurement by strategies that (a) have buy-in from all stakeholders and (b) align themselves to the Council's objectives as set out in its various plans. It is also about ensuring that all the Council's procurement people are sufficiently skilled in all the required disciplines to provide the Council with that maximum benefit.
- 5.5 We can also achieve benefit by looking at the efficiency of our transactional "purchase-to-pay" processes and structures. Procurement ICT is also an opportunity area, both in terms of the efficiency it offers when properly designed and integrated and also in terms of the valuable management information it can offer us.
- 5.6 All of these issues are strategic. The Council is to conduct a strategic review of its procurement approach / structure as part of the Transforming Angus programme. For that review to be effective in delivering to the Council processes and structures capable of maximising the benefit the Council gains from its procurement, Angus Council must (a) recognise the importance of procurement as a function (it accounts for around a third of the Council's annual spend) and (b) commit to resource the strategic review accordingly.
- 5.7 The Procurement Sounding Board Member Officer Group considered the Audit Scotland Report and a draft of this report at its meeting on 12 June 2014. Following discussion, the Sounding Board agreed:-
- (i) to note the publication of Audit Scotland's Report "Procurement in Council's" in April 2014; and
  - (ii) to note the involvement of the Council's Head of Corporate Improvement and Finance, Mr Ian Lorimer, as a member of the Project Advisory Group and commend him for his work in this regard.

5.8 The Council's comments on the Audit Scotland report are relevant to the Accounts Commission's and Scottish Government's consideration of the Audit Scotland report. It is appropriate therefore to share this report and appendix 1 with those bodies.

## **6. FINANCIAL IMPLICATIONS**

There are no financial implications directly arising from this report.

## **7. CONSULTATION**

All chief officers of the Council along with the Service Manager (Governance) and the TPC Head of Procurement were consulted in the preparation of this report.

**NOTE:** The background paper, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which was relied on to any material extent in preparing the above report is:

- Audit Scotland Report "Procurement in Councils", April 2014

**RICHARD STIFF**  
**CHIEF EXECUTIVE**

**IAN LORIMER**  
**HEAD OF CORPORATE IMPROVEMENT AND**  
**FINANCE**

**EMAIL DETAILS:** [procurement@angus.gov.uk](mailto:procurement@angus.gov.uk)

### **List of Appendices:**

Appendix 1 – Audit Scotland: "Procurement in Councils" – Recommendations & Angus Council's Current Position

Appendix 2 – Audit Scotland "Procurement in Councils" – Full Report