

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE2 June 2016Report by ClerkNATIONAL EXTERNAL AUDIT REPORTPROCUREMENT IN COUNCILS: IMPACT REPORT**PURPOSE OF REPORT**

1. To provide information on the Audit Scotland report *Procurement in Councils: Impact Report*.

**RECOMMENDATION**

2. It is recommended that the Committee considers the report.

**BACKGROUND**

3. Copies of the Audit Scotland report *Procurement in Councils: Impact Report*, published in February 2016, have already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members who are leading the review of this particular report are Councillor Wallace and Councillor Grant. In accordance with arrangements established by the Committee for dealing with such reports, the Chief Officer (Legal and Procurement) has provided comments on it. A copy of the feedback is attached (see Appendix 1).

**RECOMMENDATION**

4. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

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Background Papers:-

1. Audit Scotland Report *Procurement in Councils: Impact Report*

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EAST RENFREWSHIRE COUNCILAUDIT AND SCRUNITY COMMITTEEReport by Chief Officer Legal & ProcurementAUDIT SCOTLAND REPORT PROCUREMENT IN COUNCILS**PURPOSE OF REPORT**

1. The purpose of this report is to provide an update on the council position in relation to the matters raised in the report prepared by Audit Scotland "Procurement in Councils – Impact Report".

**BACKGROUND**

2. "Procurement in Councils" was the report prepared by Audit Scotland following their audit of the 32 local authorities and Scotland Excel. The aim of the audit was to assess whether councils are efficiently and effectively managing how they procure goods and services with the findings summarised into key messages.
  - 2.1 This report was published April 2014. Subsequently a report submitted to the Audit & Scrutiny Committee detailed how East Renfrewshire Council was placed against the key messages.
  - 2.2 The impact report assesses the position of the Scottish government, Scotland Excel and the local councils in relation to the recommendations made in the 2014 report and notes the progress made.

**REPORT**

- 3 The general position on the key messages remains the same with progress having been made in relation to some aspects. These are highlighted below:

Council staff involved in procurement should:

- 3.1 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.

*New procurement legislation permits the use of early market testing that will help to drive innovation into contracts. Also, the Empowerment Act actively encourages the idea of service users being involved in the design of the services they will be using. This has been implemented via the adult mental health public social partnership, PSP, where providers and service users have been consulted on re-design of the service specification.*

- 3.2 Calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement.

*The previous report highlighted the difficulty predicting savings and this is partly due to the lack of line item detail available via the ordering system. A fitness for purpose exercise is being conducted on the eFins ordering system. The Council has received a demo of the PECOS system and the upgrade to the eFins system and are encouraged that both systems have improved reporting facilities.*

- 3.3 Make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements.

*Market research is an important area which has to be completed as part of the contract strategy document. Often time constraints do not allow for full research to be undertaken and to address this the market research facility used by Scotland Excel, Keynote, is now available for use by the Category Managers.*

*The importance of contract management has been reflected with its inclusion into the revision of the Contract Standing Orders, clause 13 contract strategy*

*“After awarding the contract, the procuring department should identify a Contract manager to manage it in line with the standards identified in the tender. Contract management reviews shall cover the financial aspects of the contract and other relevant operational issues to establish a measure of supplier performance against the contract requirements with evidence being retained for audit purposes.”*

*The Scottish Government has made available e-contract management (ecm) and e-performance management (epm) tools which are add-ons to the tender system, PCS-tender. As this system is currently used to conduct all tendering activity the contract management module has been implemented. The next stage is to use the epm module that will facilitate the issuing of e-scorecards to track supplier performance. Training is required for the Category Managers prior to the implementation of epm; a date for this has to be arranged.*

- 3.4 Examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts.

*Under the City Deal remit the 8 participating councils are working together not only to develop a common approach to procurement but also looking to identify areas where collaborating on common procurements can take place.*

- 3.5 Use the Public Contracts Scotland tender module for all applicable contracts.

*The contract register available via PCS is available through the buyer profile on the council internet pages.*

- 3.6 Make full use of national collaborative contracts.

*The Qtr 3 reports prepared by the councils’ Scotland Excel Account Manger stated that the council was participating in 44 out of the 47 available contracts, 93% participation level.*

- 3.7 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

*Community benefits are incorporated into relevant contracts, monitored and reported to CMT. At the moment community benefits are considered for contracts with a total estimated spend exceeding £100,000; with the implementation of the new procurement legislation this figure will reduce to £50,000 from June 2016.*

- 3.8 Councils Corporate Management Team 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.

*Details of the councils and their teams were provided in the previous report however, it should be noted that a procurement service review is currently being conducted.*

- 3.9 Public Contracts Scotland (PCS) provides suppliers with free access to essential information on public sector business opportunities. All public sector bodies in Scotland are expected to use PCS.

*The council has adopted this system, all contract notices are published on the PCS website plus quick quotes exercises are issued and managed via PCS.*

- 3.10 PCS-Tender is the national eSourcing system provided free of charge by the Scottish Government. The system provides buying organisations with a set of web-based procurement tools.

*All tendering exercises are issued via PCS-t.*

- 3.11 eInvoicing

*The council are in discussion with the Scottish Government regarding their e-invoicing solution, a meeting of key council stakeholders and the Scottish Government is scheduled for 9 June 2016.*

## **RECOMMENDATION**

4. It is recommended that the Audit and Scrutiny Committee note the contents of the report.

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**KEY WORDS:** Procurement, contract management, market research, ordering, Public Contracts Scotland

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