

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

12 June 2014

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT  
PROCUREMENT IN COUNCILS

**PURPOSE OF REPORT**

1. To provide information on the Accounts Commission report on *Procurement in Councils*.

**RECOMMENDATION**

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

**PROCUREMENT IN COUNCILS**

3. A copy of the Accounts Commission report on *Procurement in Councils* has already been circulated to all Audit and Scrutiny Committee Members. The Members who are leading on 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 & Procurement) has provided comments on it. A copy of the feedback is attached to this report (see Appendix).

**RECOMMENDATION**

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

Local Government Access to Information Act 1985

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Background Papers Accounts Commission report on *Procurement in Councils*.

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE12 June 2014Report by Chief Officer (Legal & Procurement)AUDIT SCOTLAND REPORT PROCUREMENT IN COUNCILS**PURPOSE OF REPORT**

1. The purpose of this report is to provide comment on how the council currently approaches the key messages from the Audit Scotland report.

**BACKGROUND**

2. "Procurement in councils" is 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.

**REPORT**

- 3 The key messages applicable to local authorities are listed below with the ERC position underneath:

Council staff involved in procurement should:

- 3.1 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)

*The Procurement Hub and Covalent are updated on a quarterly basis.*

- 3.2 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

*Supplier engagement has to be carried out carefully so not to give any supplier a competitive advantage when it comes to tendering. It is important the officer(s) with the correct technical knowledge take part in the exercise and are responsible for the preparation for the contract specification. To do this properly the officer not only has to be aware of their service requirements but also the market place and any changes which may impact on the contract during its lifetime so that the specification is robust and fit for purpose.*

*Where possible output specifications are used rather than the council dictating how the specification is to be met. The tender documents detail the objectives of the contract and the supplier states how this will be achieved. By using output specifications there is greater scope for innovation and this again has to be considered at the strategy development stage. Recent exercises for ICT shared services and Leisure Trust feasibility consultancy was both based on output specifications.*

*All contracts are issued through the Scottish Governments (Public Contracts Scotland) PCS tender module using E-vendor management (evm) questions as a minimum. Suppliers store on the evm system their answers to these standard questions and can recall them for each tender they are compiling thus saving time and duplication.*

- 3.3 make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee  
*Pre-existing collaborative contracts will be considered before embarking on a tendering exercise. Although non participation is not currently reported to committee the contract strategy document will detail the reasoning why the collaboration is deemed to be unsuitable.*

*Of the 31 national contracts which are available the council participates in 18. Reasons for non participation are that the service is provided in-house or there is no requirement for such a service. Appendix A details the contracts.*

- 3.4 calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement  
*Both hard and soft benefits are to be estimated as part of the contract strategy development. This is an area which is always hard to predict and contentious with departments therefore the strategy does not always reflect meaningful benefit targets. Savings identified by Scotland Excel are tracked and verified by Procurement although no direct saving is taken as part of budgetary process.*

- 3.5 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. Whilst this is an area which Procurement does undertake it is considered that more could be done; restrictions in time and work load pressures impact on the amount of research which can realistically be undertaken.*

*Client departments must also be aware of market conditions and what the market can offer in terms of goods and services in order for them to correctly specify what they are looking for. Whilst this is the responsibility of the client department there have been occasions where a contract is prepared mainly by procurement due to the lack of knowledge at departmental level.*

*Contract Management is an area which procurement has been developing over recent years and will continue to do so with particular focus on issues relating to demand management, forecasting and working more closely with key suppliers. Full participation from client departments is essential in this context and constraints both at department level and within Procurement have to some extent hindered this process.*

- 3.6 examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts.  
*East Renfrewshire, Inverclyde and Renfrewshire Councils regularly discuss collaborative procurement activities, recent examples are with ICT and Roads contracts. The Scottish Local Government Procurement Forum has requested that the 32 councils submit to the "Knowledge Hub" portal their individual contract plans for the forth coming year, the aim of this is to provide visibility of the requirements for each council and facilitate better collaboration.*

*Whilst it is anticipated that financial benefits can be obtained through collaboration in regards to economies of scale it is important to note that collaborative exercises generally take longer to implement due to the differing council requirements and processes.*

- 3.7 aim to achieve the superior performance level in the Procurement Capability Assessment, (PCA) particularly in relation to:  
spend covered by an agreed commodity strategy

*The council was unable to demonstrate in the last PCA that all contracts had a strategy as contract strategy development was not an area which was considered for the Property contracts. This has now been addressed, an embedded Procurement Officer sits within Environment, having the responsibility for all tenders she will ensure each exercise will have an appropriate strategy completed and signed off prior to the tender publication.*

- 3.8 participation in Scotland Excel contracts

*The council will participate in Scotland Excel where it is deemed beneficial to do so. The most recent management information provided by Scotland Excel stated that of the 38 contracts available for ERC is participating in 33. Appendix B details the contracts.*

- 3.9 automation of procurement and payment processes

*The majority, 71% in Quarter 4, of purchase orders are placed via the e-financials corporate ordering system. The system links to an external market place which allows for ordering via contractors website which have been tailored to ERC contracts.*

*Orders are placed via the market place for contracts such as stationery, personal protective equipment (PPE) and education materials. Orders which are placed via the market place have correct pricing and are therefore easier to pay due to the 3 way match of order, goods receipting and invoice.*

*The use of the Scottish Government market place was piloted over a 4 month period but is currently on hold given its more restricted functionality than our existing system. Alternative options will continue to be considered as will the increasing of suppliers on our current marketplace.*

*The PCA, under section 6 key purchasing systems, assess the level of invoices paid within 30 days using the performance figure which is submitted by the councils. A review of the Creditors performance figure is being carried out with invoice scanning solutions being examined.*

- 3.10 spend captured in the council's contract register.

*The contract register currently details the estimated annual spend for each contract. The register is to be amended to reflect the confirmed annual spend over the life time of each contract.*

*To achieve superior performance in the PCA a score of 75%+ is required. The council is currently at improved status with a score of 62%. A PCA action plan is being finalised and will be the subject of a separate report.*

- 3.11 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.

*The following table below highlights the scores between the most recent PCAs and which councils have undertaken a structuring of procurement.*

Council	Population	PCA 2013	PCA2012	Comments
East Lothian	97,500	55	44	Team of 4
West Dunbartonshire	90,600	58	44	Restructured, team of 15
Stirling	89,900	55	50	Report restructure recently approved. Current team of 8, although exact figures are not know the Procurement Manager estimated the team will increase to between 18-24
East Renfrewshire	89,500	62	58	Team of 9, one position funded by Environment, one position due to retire
Argyll & Bute	89,200	63	53	Restructured, Procurement and Commissioning has a team of 18.

3.12 Councils should 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

*Procurement training can be provided to all elected members. Procurement guidance can be provided at any time should there be any questions from an elected member.*

## RECOMMENDATIONS

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

## REPORT AUTHOR

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Report date: 28 May 2014

**KEY WORDS:** Procurement Capability Assessment, PCA, Procurement, collaboration, market research

## Appendix A National contracts

Commodity	ERC participation	Comments
General stationery and office paper	Yes	
I.T. consumables	Yes	
Postal services	Yes	
Courier services	Yes	
Travel services	No	ERC not named to use contract, Confirmed participation in re-tender
eProcurement service management	No	Full provision of a hosting solution for PECOS, ERC does not use the PECOS system
Collaborative content management	yes	The provision of an externally hosted CCM solution. Council has in place @Ukplc, pilot of CCM within council but same functionality not available
Professional buying tools (eSourcing)	Yes	Provision of an eSourcing solution - internet-based, collaborative technology to facilitate the full life cycle of the tender process for both buyer and supplier
Furniture, Document Management, Textiles/ Personal Protective Equipment, Signage	Yes	
Mobile computing	Yes	
Desktop computing	Yes	
National IT peripherals agreement	Yes	
Office Equipment	Yes	
Tablet Devices	Yes	
IT managed services	No	Not applicable
Marketing services multi Lot	No	inhouse provision
Marketing services fully managed Service	No	inhouse provision
Media services	No	inhouse provision
Mobile voice & data services	No	
Scotland Wide Area Network (SWAN)		
Convergence Services Commodity Strategy	Yes	
Web conferencing	No	
SIP and IP Handsets and Associated Licences		
Framework Agreement	No	ERC own contract
Overpayment recovery service	No	
Bureau Services and Energy Solutions	No	
Temporary and interim staff	Yes	
Electricity	Yes	
Natural gas	Yes	
Water and waste water	Yes	
Biomass (Energy Supply Agreements)	No	
Biomass (fuel only)	No	
Liquid fuels	Yes	

## Appendix B Scotland Excel contracts

Contract Subject	Contract Status	East Renfrewshire Council Participating
Road Maintenance Materials	Current	Yes
Salt for Winter Maintenance	Current	Yes
Meats - Fresh, Prepared and Cooked (incl. Fresh Fish)	Current	Yes
Washroom Solutions	Current	Yes
Signage	Current	Yes
Presentation and Audio Visual Equipment	Current	Yes
Asbestos	Current	No
Building and Timber Materials	Current	Yes
Hygiene Products	Current	Yes
Security	Current	No
Street Lighting Materials	Current	Yes
Prepared Meals	Current	No
Telecare Equipment	Current	Yes
Electrical Materials	Current	Yes
Plumbing Materials	Current	Yes
Waste Disposal Equipment	Current	No
Groceries & Provisions	Current	Yes
Catering Sundries	Current	Yes
Vehicle Parts	Current	Yes
Personal Protective Equipment	Current	Yes
Bitumen Products	Current	Yes
Education & Office Furniture	Current	Yes
Educational Materials	Current	Yes
Engineering Consultancy Services	Current	Yes
Fostering	Current	Yes
Organic Waste	Current	No
Frozen Foods	Current	Yes
Domestic Furniture	Current	Yes
Secure Care	Current	Yes
Cars & Light Commercial Vehicles	Current	Yes
Household WEEE & Batteries	Current	Yes
Library Books & Textbooks	Current	Yes
Recycle & Refuse containers	Current	Yes
Tyres	Current	Yes
Hire of Vehicles & Plant	Current	Yes
Heavy Vehicles	Current	Yes
Milk & Associated Products	Current	Yes
Trade Materials	Current	Yes