

Key messages

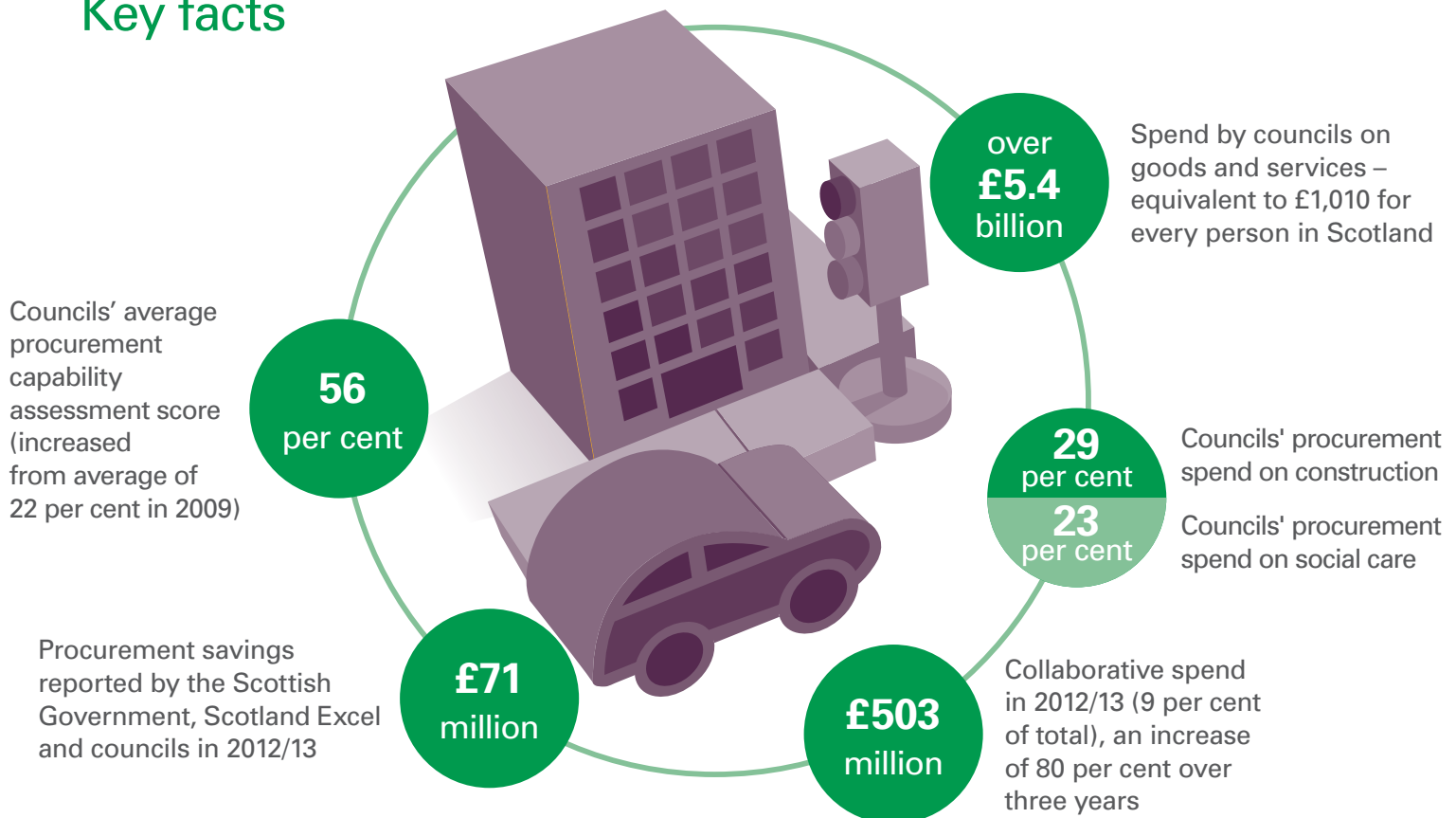
Procurement in councils



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
April 2014

Key facts



What's this report about?

1. Procurement is the process that councils follow to buy the goods and services they need to provide public services. Effective procurement is important in helping councils achieve their local outcomes and priorities, secure value for money and deliver other benefits. Effective procurement involves the following:

- Having the right people in the right place – does the council have adequate numbers of appropriately qualified staff and appropriate organisational structures?
- Defining the supply need – does the council have a well-planned process for deciding what it needs, including deciding how it should provide services and looking at alternative ways of delivering services?
- Sourcing strategies and collaborative procurement – does the council have a good idea of how it can best meet its needs?
- Contract and supplier management – does the council manage its suppliers and contracts effectively?
- Purchasing processes and systems – does the council have effective and reliable processes and ICT systems to support procurement.

2. The aim of our audit was to assess whether councils are efficiently and effectively managing how they procure goods and services. The specific objectives were to determine:

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

Key messages

1 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.

- 2** 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.
- 3** 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.
- 4** 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 improvement staff and improved systems can both improve service quality and achieve financial savings.

Key recommendations

Scotland Excel should:

- set realistic timescales and savings targets for contracts, particularly in new areas of contracting.

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)
- 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
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- 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
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts.
- aim to achieve the superior performance level in the PCA, particularly in relation to:
 - spend covered by an agreed commodity strategy
 - participation in Scotland Excel contracts
 - automation of procurement and payment processes
 - spend captured in the council's contract register.

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.

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.

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Audit Scotland, 110 George Street, Edinburgh EH2 4LH

T: 0845 146 1010 E: info@audit-scotland.gov.uk

www.audit-scotland.gov.uk 

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