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AUDIT COMMITTEE REPORT

Subject: Procurement Practices and Value for Money	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 30 August 2018

Purpose: To update the Committee with regard to activities in ensuring best practice and value for money in the College's Procurement function.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The College's Procurement Strategy 2016-2020 is aligned to the Public Procurement Reform Agenda, focusing on five themes: -

- Sustainability
- Access
- Efficiency and Collaboration
- Savings and Benefits
- Capability

This report updates the Committee with regard to progress on these.

Sustainability

The concept of sustainable procurement is a key part of our Procurement Strategy and Policy. Use of collaborative framework agreements wherever possible helps to ensure we meet this goal.

Access

Wherever possible, we use the Scottish Governments PCS-Tender e-tendering portal to advertise tenders, ensuring as wide access as possible for suppliers.

Efficiency and Collaboration

The attached graphs show the percentages of our annual expenditure which is subject to formally agreed contracts and framework agreements.

The following table breaks down the College's total non-pay spend of £4.4M between on- and off-contract spend, and also the spend managed through the electronic PECOS system as opposed to those placed manually and then entered directly through our SUN accounting system.

YTD	2017 PERIOD 12 YTD		2018 PERIOD 12 YTD	
TOTAL INVOICES	4650		4082	
TOTAL £SPEND	£4,373,936.71		£4,168,975.51	
PROCUREMENT £SPEND/INVOICES	£4,215,394.07	4410	£3,691,670.65	3587
CONTRACT INVOICES*	2523	57.2%	1476	41.1%
NON CONTRACT INVOICES*	1887	42.8%	2111	58.9%
CONTRACT £SPEND*	£3,227,837.22	76.6%	£2,835,115.95	76.8%
NON CONTRACT £SPEND*	£987,556.85	23.4%	£856,554.70	23.2%
TOTAL SUN INVOICES	1858	40.0%	1383	33.9%
TOTAL PECOS INVOICES	2792	60.0%	2699	66.1%
TOTAL SUN £SPEND	£2,742,710.59	62.7%	£1,931,695.37	46.3%
TOTAL PECOS £SPEND	£1,631,226.12	37.3%	£2,237,280.14	53.7%
MAN/OTHER	£158,542.34	240	£477,304.86	495

As can be seen above, total contracted spend in 2017-18, at £2,835k, is 76.8% of total spend. This is up 0.2% from 2016-17, despite 2016-17 having a large one-off contracted spend for the refurbishment of Unit 4.2 at Tweedbank.

Total PECOS spend in 2017-18, at £2,237k is 53.7% of total spend, up significantly from 37.3% in 2016-17. PECOS invoice numbers have increased from 60.0% (2792 invoices) to 66.1% (2699 invoices).

Savings and Benefits

The most recent analysis of savings and benefits carried out by APUC was for the year 2016-17. This showed that total savings for the College generated by the use of collaborative agreements was £72k, being £107k generated through lower contract prices and £18k saved by not undertaking our own tendering exercise**.**

Capability

The College undertook the Operational Procurement Review (OPR) with APUC in May 2017. This review assessed our current operational capabilities and practices and made some recommendations for improvement. These are monitored monthly as part of our Operational Procurement meetings. They also highlighted potential improvements through staff training and these are also addressed via an action plan.

Improvements made so far include additional staff training, creation of a forward contracting schedule, and updated terms and conditions. Over the next year, the intention is to work on active supplier management and sustainability in the supply chain.

The next OPR is scheduled for late 2019/early 2020.

Recommendation: Committee to discuss the report.

Previous Committee Approvals: n/a

For publication ☒	For publication with redactions ☐	Not for publication ☐

	2018	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4	PERIOD 5	PERIOD 6	PERIOD 7	PERIOD 8	PERIOD 9	PERIOD 10	PERIOD 11	PERIOD 12
2017	CONTRACT £SPEND	68.9%	42.4%	79.2%	60.0%	67.5%	69.6%	76.3%	86.9%	89.1%	93.6%	71.4%	78.5%
2018	CONTRACT £SPEND	79.3%	88.6%	60.4%	76.5%	73.4%	70.8%	81.2%	62.3%	79.7%	80.4%	69.2%	73.7%
2017	PECOS INVOICES	42.8%	60.1%	57.1%	64.6%	61.3%	62.7%	65.8%	62.8%	60.3%	61.0%	58.4%	50.6%
2018	PECOS INVOICES	51.2%	71.3%	69.8%	66.9%	69.3%	70.1%	62.6%	65.6%	67.6%	64.0%	60.8%	66.7%

Contracted Spend % TY vs LY By Period

PECOS Invoices % TY vs LY