

# AUDIT COMMITTEE REPORT

<b>Subject:</b> Procurement Practices and Value for Money	<b>Purpose:</b> <b>For Approval</b> <input type="checkbox"/> <b>For Discussion</b> <input type="checkbox"/> <b>For Information</b> <input checked="" type="checkbox"/>
<b>Prepared by:</b> Hazel Robertson, Vice Principal – Finance and Corporate Services	<b>Date:</b> 22 January 2020
<b>Purpose:</b> To update the Committee with regard to activities in ensuring best practice and value for money in the College's Procurement function.	
<b>Linked to Strategic Goal 5: Build Sustainability.</b>	
<b>Executive Summary:</b>  <p>The College's Procurement Strategy 2016-2020 is aligned to the Public Procurement Reform Agenda, focusing on five themes:</p> <ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Access</li> <li>• Efficiency and Collaboration</li> <li>• Savings and Benefits</li> <li>• Capability</li> </ul> <p>This report updates the Committee with regard to progress.</p> <p><b>Sustainability</b></p> <p>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.</p> <p><b>Access</b></p> <p>Wherever possible, we use the Scottish Governments PCS-Tender e-tendering portal to advertise tenders, ensuring as wide access as possible for suppliers.</p> <p><b>Efficiency and Collaboration</b></p> <p>The attached graphs show the percentages of our annual expenditure which is subject to formally agreed contracts and framework agreements.</p> <p>The following table breaks down the College's total non-pay spend to December 2019 (P5) of £2.4M 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.</p>	

YTD	2019 YTD PERIOD 5		2020 YTD PERIOD 5	
TOTAL INVOICES	1768		2068	
TOTAL £SPEND	£1,813,800.65		£2,436,951.46	
INFLUENCEABLE £SPEND/INVOICES	£1,569,648.52	1574	£2,226,126.08	1839
CONTRACT INVOICES*	593	37.7%	750	40.8%
NON CONTRACT INVOICES*	981	62.3%	1089	59.2%
CONTRACT £SPEND*	£1,127,270.06	71.8%	£1,705,278.18	76.6%
NON CONTRACT £SPEND*	£442,378.46	28.2%	£520,847.90	23.4%
TOTAL SUN INVOICES	534	30.2%	558	27.0%
TOTAL PECOS INVOICES	1234	69.8%	1510	73.0%
TOTAL SUN £SPEND	£887,419.14	48.9%	£709,349.74	29.1%
TOTAL PECOS £SPEND	£926,381.51	51.1%	£1,727,601.72	70.9%
MAN/OTHER	£244,152.13	194	£210,825.38	229

\*as proportion of influenceable spend/ invoices

As can be seen above, total contracted spend YTD to December 2019 at £1,705k, is 76.6% of total spend, so an improvement on the 71.8% YTD figure for Dec 2018.

Total PECOS spend P5 YTD is 70.9% so a big improvement on the previous year at 51.1%. There has been a concerted effort to add more active suppliers to PECOS to try to proactively reduce the need to raise manual orders in Finance. The percentage of non-contracted invoices is high because most of these are ad-hoc small spends, not within procurement thresholds, where the products/services are not covered by procurement frameworks.

### Thresholds and Processes

Following a workshop earlier in the year we have identified improvements to procurement and purchasing procedures, and a need for a realignment of procurement and purchasing thresholds. The Financial Regulations have been updated to reflect new processes and thresholds. We are in the process of implementing these arrangements. As part of this we will set KPIs and performance measures to record our successes.

### Savings and Benefits

APUC have recently published analysis of collaborative spend across the university/college sector for 2018-19. Collaborative spend represents both spend against frameworks and local collaborative spend undertaken by the institutions. APUC have confirmed that the percentage achieved by Borders College for 2018-19 was 60% collaborative spend vs a sector average of 41.2%. They also reported cash savings of £253K and cost avoidance savings of £12K for Borders College 2018-19 financial year.

### 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 2020 (dates to be confirmed).

**Recommendation:** Committee to note the report.

**Previous Committee Approvals:** n/a

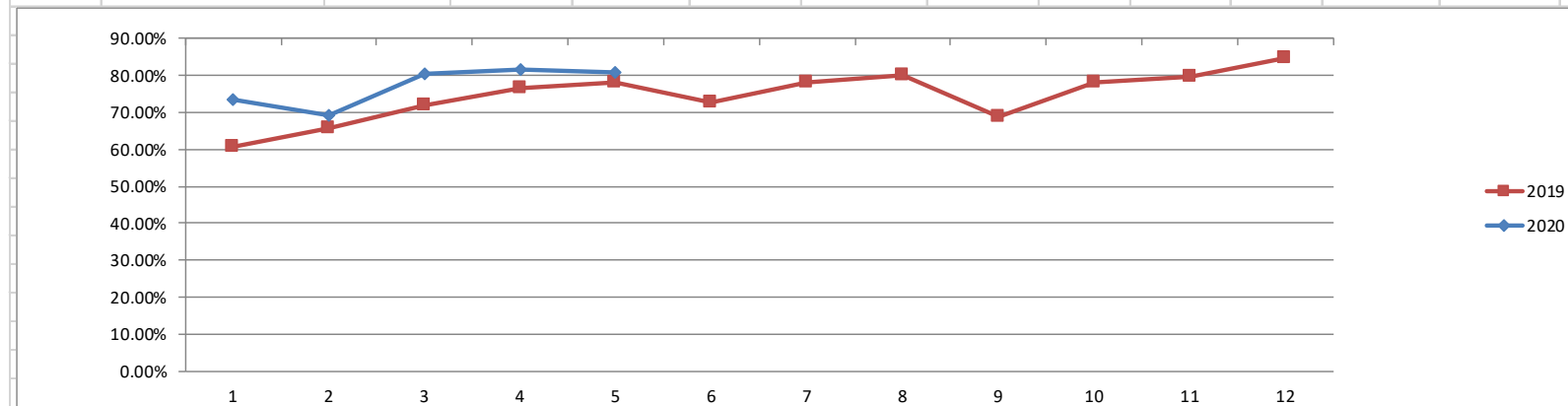
For publication ☒

For publication with redactions ☐

Not for publication ☐

	2019	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4	PERIOD 5	PERIOD 6	PERIOD 7	PERIOD 8	PERIOD 9	PERIOD 10	PERIOD 11	PERIOD 12
2019	CONTRACT £SPEND	60.8%	65.6%	72.1%	76.4%	78.2%	72.8%	78.1%	80.2%	69.0%	78.1%	79.8%	84.6%
2020	CONTRACT £SPEND	73.6%	69.4%	80.3%	81.6%	80.7%							
2019	PECOS INVOICES	60.8%	68.4%	72.6%	68.1%	75.7%	67.9%	65.3%	68.3%	66.3%	60.9%	64.7%	66.2%
2020	PECOS INVOICES	52.2%	72.9%	80.2%	72.4%	72.6%							

**Contracted Spend % TY vs LY By Period**



**PECOS Invoices % TY vs LY**

