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AUDIT COMMITTEE REPORT

Subject: Procurement Practices and Value for Money	**Purpose:** **For Approval** ☐ **For Discussion** ☐ **For Information** ☒
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 16 September 2020

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: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

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.

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 and the proportion of orders processed through Pecos.

The table below breaks down the College's total non-pay spend to the end of July 2020 of £4,706k (gross) 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.

As can be seen on the table, total contracted spend YTD to end July 2020 at £3,271k, is 78.4% of total influenceable spend, so an improvement on the 76% YTD figure for July 2019.

Total PECOS spend P12 YTD is 70.7% so a big improvement on the previous year at 57.4%. 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 relatively high because most of these are ad-hoc small spends, not within procurement thresholds, where the products/services are not covered by procurement frameworks.

YTD	2019 PERIOD 12 YTD		2020 PERIOD 12 YTD	
TOTAL INVOICES	4318		4030	
TOTAL £SPEND	£4,508,720.36		£4,706,125.66	
INFLUENCEABLE £SPEND/INVOICES	£4,016,181.29	3795	£4,203,314.61	3588
CONTRACT INVOICES*	1429	37.7%	1515	42.1%
NON CONTRACT INVOICES*	2366	62.3%	2073	57.9%
CONTRACT £SPEND*	£3,051,069.39	76.0%	£3,271,151.99	78.4%
NON CONTRACT £SPEND*	£965,111.90	24.0%	£932,162.62	21.6%
TOTAL SUN INVOICES	1404	32.5%	1162	28.1%
TOTAL PECOS INVOICES	2914	67.5%	2868	71.9%
TOTAL SUN £SPEND	£1,921,133.05	42.6%	£1,367,190.26	29.3%
TOTAL PECOS £SPEND	£2,587,587.31	57.4%	£3,338,935.40	70.7%
MAN/OTHER	£492,539.07	523	£502,811.05	442

*as proportion of influenceable spend/invoices

Thresholds and Processes

Following a workshop 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

For 2019/20 Borders College spend was 34% against APUC promoted frameworks plus 2% other frameworks, as well as 12% local collaborative spend. So far, savings on spend against frameworks in 2019/20 is reported as £87k however, final complete figures have not yet been issued.

Capability

The College undertook the Operational Procurement Review (OPR) with APUC in July 2020. This review assessed our current operational capabilities and practices.

There was only one recommendation – and that was to formally record stakeholder feedback on procurement activity within the college. The optimal score was achieved for the balance of the questions and there was no further action recommended.

The Summary Statement from the report is below:

Borders College has robust processes and controls in place that provide solid stakeholder support for the operation and delivery of benefits from effective procurement operations. There is a strong and supportive senior management overview of the procurement function and the work of the procurement office is well recognised by institutional budget holders. Analysis of data and reporting against performance is regular and sound. The level of resource seems adequate and well-matched to delivery of objectives. It is noted that a revised institutional strategy is planned for introduction in 2020/2021 and the College documentation that sits in support of that will be revised and re-aligned accordingly. The score achieved meets the optimal target level of 67% and with a few minor tweaks of process, the score looks set to be improved upon by the time of the next review, but without unnecessary expenditure of resource.

Recommendation:
Committee to note the report.

Previous Committee Approvals:
n/a

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