

Finance and Resources Committee

10.00am, Thursday, 16 January 2025

Contracted Spend – review

Routine
Wards

1. Recommendations

- 1.1 To note the Contracted spend target review, non-contracted spend information and ongoing monitoring and review arrangements in place.

Dr Deborah Smart

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Report

Contracted Spend – review

2. Executive Summary

- 2.1 This report seeks to address a request from GRBV committee on 4 June 2024 for officers to review the 93% target for contracted spend level and provide an update report to F&R committee on non-contracted spending.

3. Background

- 3.1 In June 2024 the GRBV committee scrutinised an update report on the Supplier and Contract Management internal audit carried out in quarter 3 of 2023/24. The report identified the levels on non-contracted spend not being managed in line with contract standing orders and the actions being taken to address. This led to a further request to review the Council target to achieve 93% contracted spend and to report non-contracts spend information to F&R committee.
- 3.2 The target was set during the commercial excellence programme which was delivered during 2013-2018 and has not been reviewed subsequently. The target is included as a key performance indicator in the Council annual performance report, outturn in previous four financial years is detailed the table below.

% Revenue spend with contracted suppliers				
Period	2020/21	2021/22	2022/23	2023/24
Outcome	92.8%	91.0%	87.7%	84.1%

- 3.3 The report to GRBV also noted ongoing steps, including a planned further audit focussing on non-contract spend and waiver of Council Contract Standing Orders (CSOs) which was reported on 31 October 2024. This report includes findings from that audit.

4. Main report

- 4.1 The Council CSOs sets out how the council buys the goods, services and works it requires and the procedures to be followed. The failure to complete the contract register prior to the start of a contract (CSO 3.2.13) is a key reason for Supplier expenditure being identified as 'non-contracted'.
- 4.2 The requirement to complete the contract register information supports the Council to meet procurement legislative requirements, it also provides contract level spend information to support best value decisions, provides budget controls, supports planning for future demand and reduces the risk of fraud.
- 4.3 The contract register acts as a control mechanism, capturing key management information including the owner and contract manager of the requirement, terms, value, policy objectives, and supplier details. Additional spend controls are set within the payment process.
- 4.4 Council purchases are made via different payment methods including purchase cards, purchase orders via Oracle and electronic order systems (feeders) such as Tranman or Swift. The resultant expenditure is captured into a single report which is produced by Finance and Procurement Services after the financial month close.
- 4.5 Expenditure is classified as contracted where data is matched between the supplier expenditure and the council contract register. This should mean that for purchases above £5,000 for goods and services and £10,000 for works there is transparency of the contract made and therefore CSOs requirements have been fulfilled.
- 4.6 Where the data match fails the spend is shown as 'non-contracted' and details of this are reported to Executive Directors via a dashboard report on a rolling 4-month cycle. Commercial and Procurement Service (CPS) further contact the relevant department to investigate reasons for unmatched spend wherever possible. Note – 'non-contracted' does not necessarily mean contract terms have not been issued to a Supplier.
- 4.7 The Oracle system which manages circa 70% of Council spend and has automatic controls which enable new purchase requests to be challenged on best value and allows redirection to existing contract agreements where available or the opportunity to provide guidance on procedures to meet CSOs and support achievement of the Council target.
- 4.8 The internal audit into non-contracted spend was completed and reported to GRBV on 31 October 2024. The audit provided reasonable assurance around the current governance, risk management and controls in place and identified specific recommendations to support continued management of supplier spend.
- 4.9 The target allows for low value/recurring purchases below £5,000-£10,000 thresholds, as these are not listed on the contract register due to their de-minimis value and thus would be classed as 'non-contracted'. In 2023/24 transactions at these levels amounted to £3.8m or 0.74% of council spend.

- 4.10 The target takes above into account but also provides a 'buffer' to enable new contract arrangements via feeder systems to be investigated and updated on to the contract register. In 2023/24 payments made via Feeder systems totalled £293m or 29.1% of Council third party spend. Around 16%/£164m of this spend was not on the contract register.
- 4.11 The most recent dashboard reports showed an increase in performance outcome of 94% Council wide contracted spend in the first four months of this financial year, because of additional resources deployed to address the contract register gaps identified. With the additional management actions agreed through the audits the Council should be on course to meet the 93% target this year.

5. Next Steps

- 5.1 Commercial and Procurement Services will continue to provide management with reports on contracted/non-contracted spend levels including regular council wide position and escalation of persistent issues will be referred to the new Budget and Accountability Board.
- 5.2 The contracted spend outcome against target will be included in future procurement annual reporting to Finance and Resources Committee.

6. Financial impact

- 6.1 There are no direct financial impacts as a result of this report.

7. Equality and Poverty Impact

- 7.1 There are no direct financial impacts as a result of this report.

8. Climate and Nature Emergency Implications

- 8.1 There are no climate or nature emergency implications to take into account of in this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 There are no health and safety, governance, compliance or regulatory implications to take into account in this report.

10. Background reading/external references

- 10.1 [Internal Audit Update Report: Quarter 3 2023/24](#) Contract and supplier management
- 10.2 [Update Report Supplier and Contract Management](#)
- 10.3 [Internal audit: Audit outcomes June to October 2024](#)

11. Appendices

None.