

REPORT TO PROCEDURES COMMITTEE – 17 SEPTEMBER 2021

EXPENDITURE APPROVAL PROCESS PROJECT UPDATE

1 Reason for Report / Summary

- 1.1 This report updates the Committee on the Expenditure Approval Process Project (EAPP) and seeks acknowledgement that the project will now be closed down, with actions being taken forward separately as outlined in this report.

2 Recommendations

The Committee is recommended to:

- 2.1 Consider and comment on the progress update;**
- 2.2 Note that the actions outlined in section 4.6 of this report will now be progressed separate to the EAPP; and**
- 2.3 Acknowledge that the EAPP will be formally closed down, but that the development of the Budget Wheel and review of expenditure approvals will be kept under review.**

3 Purpose and Decision Making Route

- 3.1 At its meeting on 21st April 2021, the Committee received an update on the Expenditure Approval Process Project (“EAPP”) as part of the Forward Plan (Item 5). It was noted that the impact of Covid-19 on resources coupled with the departure of the Project Manager to another role had meant that it had not been possible to progress the project any further.
- 3.2 The EAPP Board met on 27th April 2021 and 26th August 2021. This report provides an update on those discussions, together with the Board’s decision to close the project at this point, with separate actions being taken forward to address identified corporate needs. Should it be considered appropriate to resume consideration of the Budget Wheel and expenditure approval process in future, a report will come back to this Committee.

4 Discussion

- 4.1 The Expenditure Approval Process Project (“EAPP”) began life back in early 2018 as the Procurement Approval Process Project. The scope of the project was subsequently expanded, taking it beyond the technical aspect of procurement approvals in the Scheme of Governance and looking at the entire lifecycle of Council spend across all services. A Project Team was established, with oversight provided by the EAPP Board which is chaired by the Head of Legal and People.

- 4.2 The purpose of the project was to devise and implement a new reporting and decision-making approach to budget setting, budget monitoring and scrutiny by Committees, supported by appropriate council policy and a robust procurement approval process contained within Financial Regulations in the Scheme of Governance. The project aim was to ensure that governance of spend contributed more effectively towards the delivery of the Council priorities whilst providing Elected Members with an appropriate level of scrutiny.
- 4.3 The EAPP Board concluded that a fresh approach was needed in relation to the reporting and delegations around approval of expenditure, to enable true frontloading and aligning with the original vision of the Future Governance project. It was recognised that Committees had a role in making strategic decisions on expenditure from service budgets, alongside scrutiny and monitoring of spend. Significant work was undertaken in developing a conceptual proposal called “the Budget Wheel”. The Budget Wheel aimed to deliver a comprehensive cycle of reporting and decision making on service budget expenditure, linked to the Council Plan, Council Priorities, Service Plans and the Local Outcome Improvement Plans (LOIP), as required. Also key to the success of the Budget Wheel would be a robust procurement policy underpinning the delegations to officers. The proposal received support from the EAPP Board and the Strategic Leadership Team and consultation was undertaken with a focus group of Elected Members who were generally positive about the concept.
- 4.4 Key areas of progress with the EAPP to date include:-
- (i) Interim changes to the Scheme of Governance in relation to grants, Pupil Equity Funding, Health and Social Care contracts and procurement terminology.
 - (ii) Implementation of a Grants Register.
 - (iii) Improvement of format and information provision in procurement plans and procurement approval forms alongside a review of report templates and improved guidance for officers.
 - (iv) Initial scoping of an electronic solution to support the governance of procurement and grants.
- 4.5 The project was paused in March 2020, in the main due to the impact of the Covid-19 pandemic and reduction in available resources to support the project. The Project Board reconvened on 26th April 2021 and 26th August 2021 to discuss the future of the EAPP.
- 4.6 Having considered the progress to date and the Council’s current financial position, the Board has ultimately concluded that it would not be feasible nor desirable to proceed with the primary aim of the project, namely the development of the Budget Wheel, at this time. This is largely in light of the events that have transpired since the project was put on hold which have had a significant effect on how the Council approaches expenditure, the impact of which is still yet to be fully realized and which is subject to ongoing uncertainty surrounding the financial landscape at a national and local level. To bring in potentially seismic change to the governance of Council spend at this time

would not, in the view of the Board, be a pragmatic nor practical way to proceed.

4.7 It was also noted by the Board that activity is ongoing elsewhere out with the EAPP to introduce improvements to the budget setting process and service planning which would address some of the issues highlighted in discussions on the Budget Wheel. The Board therefore agreed that the development of the Budget Wheel should be put aside meantime, and that instead officers should concentrate on what needs to be done for procurement governance to run well within the existing governance framework. The Budget Wheel could however be reassessed following the local government elections next year and realigned with any changes to how we work or the national landscape, before bringing forward proposals to the new Council, if considered appropriate.

4.8 The Board has therefore concluded that the EAPP should be closed down at this time, and that the following actions should be progressed outwith the formal structure of the project in order to address issues with compliance with, and understanding of, the Financial Regulations:-

4.8.1 Development and implementation of an electronic solution for the procurement approval process

It has been agreed that the development of an electronic solution should be a priority, as having such a tool in place would ensure all services are taking a consistent approach to the procurement approval process, in compliance with the requirements of the Scheme of Governance and would seek to address issues that have been identified in recent Internal Audits. IT have advised that it should be possible to develop the tool internally using Microsoft 365 and with the new integrated impact assessment as a model, and officers are currently looking at how to best progress this. The Board agreed that this project will be jointly led by colleagues in the Commercial and Procurement Shared Services and in Finance.

4.8.2 Changes to the Scheme of Governance

The Annual Review of the Scheme of Governance will be reported to Full Council later this year. A number of areas have been identified, in respect of which changes will be considered to achieve further improvements to the procurement approval process:

- i. Contract increases due to unforeseeable variations in price. This issue is particularly pertinent in light of the impact of Covid-19 on council contracts.
- ii. Capital Projects – the current procurement approval process doesn't quite fit neatly with how these are managed and discussions have taken place with Property and Facilities Management to identify a preferred approach.
- iii. Procurement arising from government grants with limited discretion – currently grants for a specific purpose can be approved by Chief Officer following consultation with Chair/Vice Chair of relevant Committee but there

is no similar procedure for procurements with external funding, particularly where there are limited timescales.

- iv. Grants and loans – this is an outstanding action in the Corporate Improvement Plan.

4.8.3 *Creation of a procurement hub on Arcadia*

It is recognised that current guidance and Arcadia page could benefit from review, to enable officers to find the information they need in an accessible and digestible format, perhaps in the form of a procurement “hub”. It has therefore been agreed that a review of the guidance and templates currently available should be undertaken by a small core team of Governance, CPSS and Finance, with stakeholder involvement as appropriate. There is already in existence a suite of documentation, but the challenge will be in pulling it all together into a user friendly step by step guide for officers.

5 **Council Priorities, Implications and Risk**

- 5.1 This report helps deliver all six Strategic Priorities and in particular the underlying principle of right people, right places, right time.
- 5.2 The table below shows whether risks and implications apply if the recommendation(s) is (are) agreed.

Subject	Yes	No	N/A
Financial			X
Staffing	X		
Equalities and Fairer Duty Scotland			X
Children and Young People’s Rights and Wellbeing			X
Climate Change and Sustainability			X
Health and Wellbeing			X
Town Centre First			X

- 5.3 There will be staffing implications in the development and implementation of the electronic solution and procurement hub, however it is considered that these can be met within existing resources alongside realistic timescales for implementation.
- 5.4 An integrated impact assessment is not required because this report provides an update to Committee and there is no impact arising on any of the protected groups.

- 5.5 The following Risks have been identified as relevant to this matter on a Corporate Level:

ACCORP001 – Budget Pressures

ACCORP004 – Business and Organisational Transformation

Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 6.2 The Committee is able to consider and take a decision on this item as it has remit to make recommendations to Full Council on any changes to the Scheme of Governance.

Ritchie Johnson, Director of Business Services

Report prepared by Ruth O'Hare, Legal Service Manager (Governance)
Date 24 August 2021