General comments
1. Whilst many of the costs are already accounted for within local authority procurement processes as a result of much of what is in the Bill already being adopted as good practice to varying degrees within Councils. However, where improvement and procurement reform is required there will be a continued cost and this would appear to have been underestimated. For example, strategic and operational administration costs, particularly with the new requirement for an annual strategy and annual reporting; and administration costs to embed new requirements to be considered and the tracking of resulting benefits.

2. There are also other elements of the Bill e.g. consideration of community benefits, that are considered not to be cost neutral for all Councils (as stated in the FM) as it is over and above current practice. However, at this stage ahead of guidance and a full understanding of the application of these new duties and measures, it is difficult to fully quantify additional activity and any associated costs.

Training
3. One area of specific concern is the area related to training. COSLA has previously raised the issue of the additional costs associated with training and guidance. The additional Scottish Government expenditure shown and the associated notes suggest that the Scottish Government will continue to take financial responsibility for the systems and will further provide guidance and training on both systems and the new legislation to contracting authorities. However, if with these assumptions, it is essential that an allocation of additional resource is made available to local government to fund the initial implementation stages in terms of training and support.

Requirement for on-going monitoring of costs
4. Given the current uncertainty of additional activities and costs that will be incurred by local government, COSLA seeks assurances from the Scottish Government that the on-going costs to local government as a result of the procurement process changes associated with this Bill will be kept under review with an appropriate monitoring strategy implemented to ensure significant additional costs are not incurred by Councils.

5. In particular, the following are areas that need to be kept under review:
   - Obligations under the sustainability and specification requirements may have unintended consequences on areas other than procurement, such as maintenance, standardisation of equipment and spare parts, staff training and accreditation;
   - In terms of obligations regarding technical specifications, there may require to be a significant greater effort in preparing, monitoring and recording contract
specifications, particularly for areas such as construction and capital works, due to the obligations for greater use of sustainable materials and a more comprehensive life-cycle assessment of the elements of a project. The cost of this is difficult to measure as is whether or not this could be managed within current capacity;

- Whilst debriefing to unsuccessful bidders currently occurs, additional debriefing requirements may incur additional administration costs and require additional technical staff time and the costs associated with a regulated debriefing regime has not been fully accounted for; and
- There may be additional costs incurred as the result of an increasing risk of challenge. Whilst we appreciate that the number of formal challenges is relatively low the Bill may encourage increasing numbers of such challenges.

**Need to avoid disproportionate costs**

6. The Bill needs to ensure there is not a disproportionate impact on local authorities with smaller procurement teams. Care needs to be taken to ensure that any costs associated with embedding good practice should be proportionate to the scale and complexity of procurement operations in individual organisations. Whilst this appears to have been recognised in the FM, deployment of procurement practice has sometimes failed to recognise market characteristics in, for example, the islands setting.

**Contract costs**

7. In addition to increased costs associated with the procurement process that the Bill would introduce, consideration also needs to be given to the additional financial burden that the Bill may place on bidders responding to tender documents. Suppliers will incur additional costs, for example as they build in community benefit and sustainability management costs into their pricing, and these are likely to be passed on through to Local Authorities. The FM does not appear to have fully considered this impact of the Bill.