

Annual Procurement Report Financial Year 2018/2019

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1. Introduction

The Skills Development Scotland Co. Ltd (SDS) (registered number SC202659) is a Scottish public sector contracting authority, subject to the Procurement Reform (Scotland) Act 2014.

As such, we are required to produce an annual report on our regulated procurement activities. As a contracting authority, we are required to interpret and implement both domestic and European legislation.

Sustainable procurement is defined as “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation but also to society, the economy and the environment”.

We continue to champion the Scottish Procurement Model by embedding sustainable procurement throughout our organisation and I am pleased to present our Annual Procurement Report for 2018/19.

We spend more than 65% of our financial budgets on contracts with providers who deliver essential services on our behalf. Our key procurement principles of fairness, openness, transparency, mutual recognition, non-discrimination and proportionality help ensure we leverage fair work practices through these third-party providers.

This report, which meets the requirements of Scottish Ministers (SPPN 11/2016), is aligned to the SDS Procurement Strategy 2016 – 20, and reaffirms the commitments set out in the Corporate Procurement Strategy 2016-20. Within it, we also take the opportunity to detail key achievements of our Procurement team from the financial year 2018/19.

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2. Contracting Expenditure and Activity in 2018/19

Our Procurement team works with internal customers to develop new contracts. We also conduct IT procurements on behalf of Scottish Enterprise and Highlands and Islands Enterprise through the Enterprise Information Systems (EIS) Shared Service, which is based on the Gartner Service Towers.

During the Financial Year 2018/19 (1 April 2018 to 31 March 2019):

- 161 new central contracts were placed by SDS
- 92 grants were disbursed by SDS

Our total contracted supplier expenditure for 2018/19 is illustrated in Figure 1 below. It shows that 99% of our expenditure was made through regulated procurements, grant payment, property payments and national training programmes, indicating over 99% contract compliance achieved. The 0.29% expenditure not covered includes low value, ad hoc and mostly non-recurring purchases, such as professional memberships and individual training courses, purchased with the MasterCard Government Procurement Card.

18/19 Spend – £160,600,460

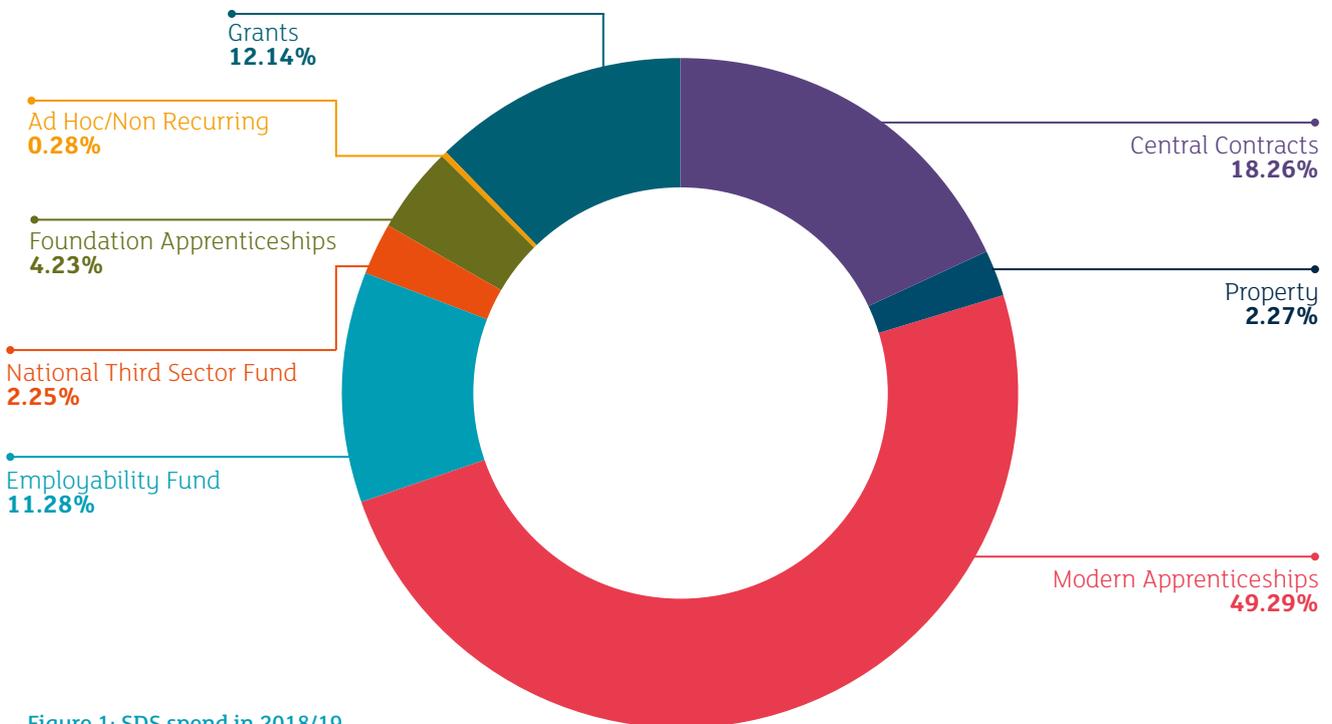


Figure 1: SDS spend in 2018/19

Table 1: SDS Spend in 2018/19

Area of Expenditure	Expenditure (£000)	%
Modern Apprenticeships	79,153	49.29%
Employability Fund	18,113	11.28%
National Third Sector Fund (NTSF)	3,613	2.25%
Foundation Apprenticeships	6,789	4.23%
Grants	19,502	12.14%
Central Contracts	29,333	18.26%
Property	3,644	2.27%
Ad Hoc/Non Recurring	454	0.28%

For the first time, this year we put in place a multi-lot framework agreement for the Industry and Enterprise Networks Directorate, within SDS. The new framework provides a fast, efficient, Official Journal of the European Union (OJEU) compliant framework which reduces administrative costs. The framework was put in place for three lots:

- Technical support for the evidence base, where economic and skills modelling is required to forecast supply and demand for jobs and skills
- Development of national think pieces
- Delivery of Skills Investment Plans.

Additionally, a collaborative contract for National Occupational Standards was led by SDS and produced for the devolved administrations.

SDS publishes a Contract Register on a quarterly basis which details contracts awarded by SDS.

Please find below the link to the SDS external procurement page

<https://www.skillsdevelopmentscotland.co.uk/about/policies/procurement/>

3. Value for Money Savings

Value for money (VFM) is a principle tenet of public sector procurement: “meeting customer’s requirements at the lowest whole life cost”. We use a standardised method for calculating VFM, calculating real savings which are secured through cost reduction and cost avoidance. Through the EIS shared service Office365 programme delivery, cost avoidance has been secured to the value of £168,911 over the reporting period. The total value for money savings realised on central contracts placed by SDS during 2018/19 was £618,358.

VFM Savings 2018/2019 – £618,358

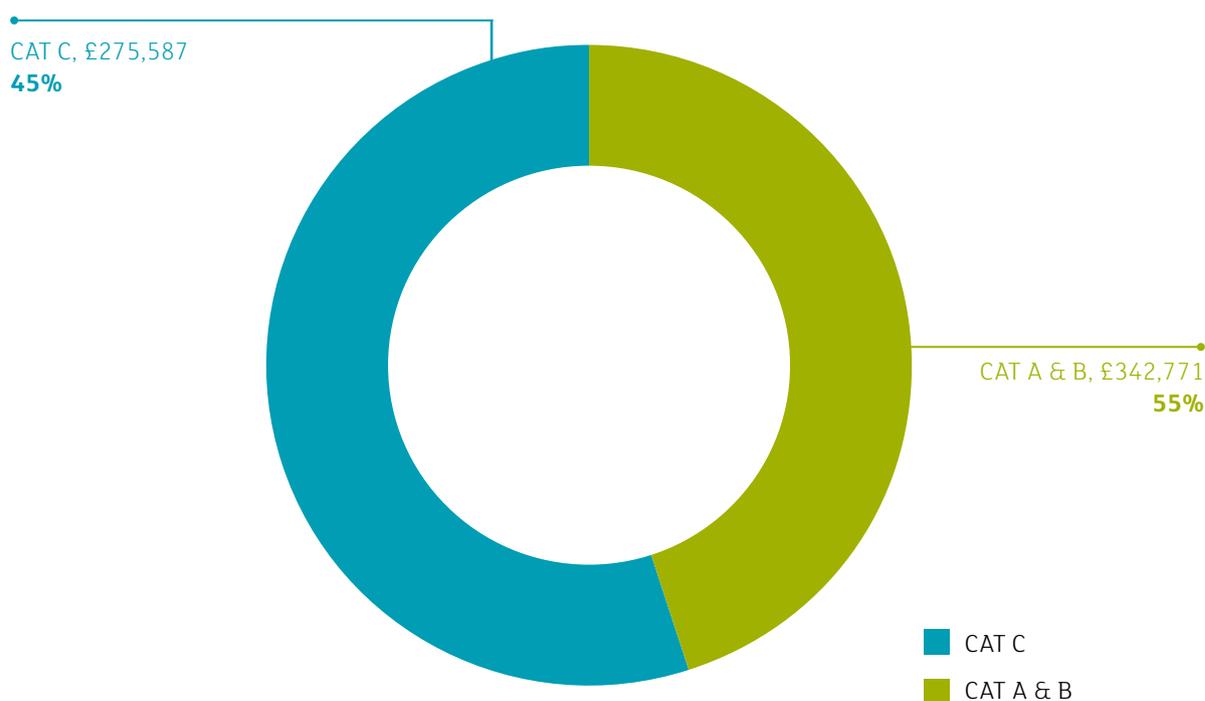


Figure 2: Value for Money Savings Achieved in 2018/19

4. Supporting Supplier Inclusion and Diversity

We are proud to champion equality, diversity and inclusion, so it is crucial that supplier inclusion supports sustainable procurement. We are pleased to work with a diverse range of suppliers and providers including small & medium-sized enterprises (SMEs), socio-economy organisations and supported businesses, to contribute to our success and deliver the wide range of services we provide.

SMEs

Expenditure with UK SMEs has increased to 65.82% in the Financial Year 2018/19 from 62% in 2017/18. Most of our SME spend is with Scottish SMEs, accounting for 90.92% of our SME expenditure. 59.84% of SDS's expenditure is with Scottish SMEs.

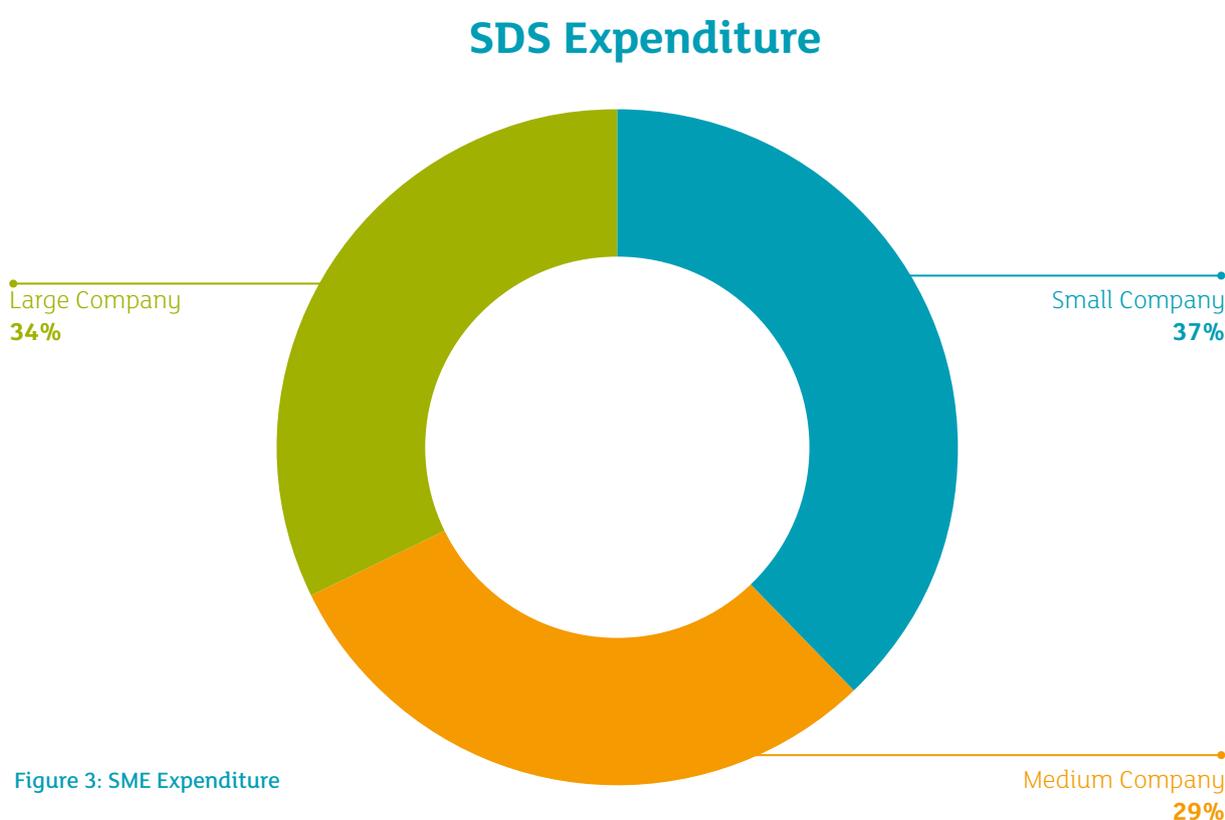


Figure 3: SME Expenditure

Third Sector/Not for Profit

The term 'third sector organisation' is used to describe the range of organisations that are neither public sector nor private sector. It includes voluntary and community organisations such as registered charities, associations, self-help groups and community groups; social enterprises; mutuals and co-operatives. They deliver essential services to help improve health and wellbeing, and contribute to the local, regional and national economy. We have a direct expenditure of around £17.5m with third sector organisations during financial year 2018-19, maintaining this figure following a 37% increase from 2016-17 to 2017-18.

Supported Businesses

Supported businesses aim to ensure social and professional integration of disadvantaged or disabled people. For an organisation to be classed as a supported business, at least 30% of their employees are required to be disadvantaged or disabled.

We provided evaluation support for the new Scottish Government framework agreement for supported businesses and, by working with supported business, contributed to socio-economic growth and fair work.

Our Procurement team worked closely with colleagues in Property and Facilities to award contracts to several supported businesses, including Royal Strathclyde Blindcraft Industries (RSBi) and Dovetails Enterprises. The total value of the contracts awarded was £119,000 inclusive of VAT in 2018/19, our largest expenditure with supported businesses, and represents a significant increase from £61,000 in 2017/18.

Prompt Payment

We are committed to paying suppliers on time. We understand the importance of prompt payment to ensure that suppliers do not have cash flow difficulties, which can have a negative impact on businesses, particularly SMEs.

We act in a responsible and sustainable manner so prompt payment is a priority. Our on-time payment performance is 91% payments made in fewer than 10 days and 98.77% in fewer than 30 days.

Equality and Diversity

In 2019, we were ranked 18 out of 445 organisations in the Stonewall Workplace Equality Index, which evaluates organisations performance in relation to LGBT equality, against ten operational areas including procurement. SDS were ranked first in the Scottish Public Sector. Our score for procurement was the most improved section score compared to the previous year's submission and contributed significantly to our overall ranking. It contained information on how we perform in relation to training for procurement colleagues, the tendering process and how we engage with suppliers in relation to LGBT equality.

5. Community Benefits

What are Community Benefits Clauses

Community Benefits Clauses (CBCs) are contractual clauses which can be used to build a range of economic, social or environmental conditions into the delivery of public contracts. CBCs can allow organisations to contribute to the achievement of outcomes which seek to deliver social benefit. The SDS Best Practice Guidance Note (BPGN) on Community Benefits in Procurement (BPGN 1, June 2017) can be read [here](#).

Community Benefits secured through the new Total Facilities Management (TFM) contract as below:

Proposed Community Benefit Initiatives	Output / Frequency / Target from benefit	Monitoring / Reviewing Targets
<u>Disabled and Disadvantaged</u> Engage Local Community Supported Businesses for PPE, Uniforms, Printing etc.	Have at least one contract/order with a supported business in relation to this contract.	We will monitor our progress monthly. Record progress within our monthly and annual report.
<u>Disabled, Disadvantaged and ex forces</u> – Provide work experience placements	To have offered at least 3 (1 month) work experience placements in relation to this contract.	
<u>Employment</u>	We commit to employing 5 candidates across the estate from disadvantaged backgrounds, ex armed forces or candidates with disabilities.	
<u>Education</u>	We commit to working with and mentoring young adults in the communities of your locations supporting up to 5 across the estate.	
<u>Local Apprentice</u>	At least 1 apprentice to spend at least one month on the SDS contract each year.	
<u>Use of Local SME's</u>	Utilise at least 2 SME's each year of the contract. Host a SME suppliers day once per annum to discuss local opportunities within Mitie.	

Mitie Skills Centres

Mitie runs six Skills Centres at secondary schools and academies, one of which is in Airdrie. The centre give 14 to 16-year-olds the opportunity to learn craft skills and obtain an accredited Construction and Built Environment Certificate or Diploma, which is a useful vocational qualification to augment academic qualifications. So far, Mitie has invested more than £750,000 with these centres. This initiative benefits between 200 and 300 young people per annum.

This project has a range of benefits including improved skills and employment prospects, increased attendance and pass rates, and out of school hours facilities for the areas.

6. Embedding Best Practice across SDS

The Procurement team works to embed best commercial practice across our organisation. To support this aim, several procurement e-Learning modules have been developed and are accessible to colleagues through our online learning portal, the SDS Academy. In addition, Best Practice Guidance Notes (BPGN) can also be printed off to serve as desk instructions. Internal customers and business areas identified the need for additional learning support. The e-modules range from interactive accredited modules to basic overviews and have been developed and published in a phased manner.

Phase 1

- Procurement Legislation
- Identifying and Defining Requirements (+BPGN)
- Business Benefit/Value for Money
- Fair Work Practice in Procurement (+BPGN)
- Grant v Procurement (+BPGN)
- Contract Management/Supplier Relationship Management (+BPGN)
- Roles and Responsibilities of the Contract Manager/Supplier Relationship Manager

Phase 2

- Evaluation of Tenders (+BPGN)
- The Procurement Journey

Phase 3

- Equalities in Procurement
- FWP Evaluation Training.

7. Learning, Development and Supporting Entrants to the Sector

The Competency Framework allows for succession planning, and enables procurement professionals to build a training profile, identifying gaps and highlighting areas of development to support them to progress through their procurement career.

We utilise the Scottish Public-Sector Procurement Competency framework which is based on the four pillars of the Global CIPS Occupational Standards below:

1. Infrastructure
2. Process
3. Performance
4. People

Infrastructure Foundations (Why)	Process (How)			Performance (What)	People (Who)
Corporate Strategy	Planning	Implementation	Delivery	Performance Management & Measurement (including Benefits, Tracking & KPIs) Continuous improvement (Including change Methodologies)	Self-development
Procurement Strategy	Pre-market engagement	Tender	Post contract		Managing High Performing Teams
Legislation	<ul style="list-style-type: none"> • Commodity, Supplier & SC Profiling 	<ul style="list-style-type: none"> • Contract Law & T's & C's 	<ul style="list-style-type: none"> • Contract management 		Leading & Influencing
Governance & Compliance	<ul style="list-style-type: none"> • Spend Analysis Market & SC Analysis 	<ul style="list-style-type: none"> • EU/Tender Process 	<ul style="list-style-type: none"> • Supplier management 		Stakeholder Relationships
Technology	<ul style="list-style-type: none"> • Specification development 	<ul style="list-style-type: none"> • Building Tender Documents 	<ul style="list-style-type: none"> • Supply chain management 		Communications
Standards & Conduct		<ul style="list-style-type: none"> • Tender Evaluation 	<ul style="list-style-type: none"> • Inventory Management 		
		<ul style="list-style-type: none"> • Award & Debrief 	<ul style="list-style-type: none"> • Distribution & logistics 		
		<ul style="list-style-type: none"> • Negotiation 			
		<ul style="list-style-type: none"> • Alternative routes to market 			

Commercial and Financial Awareness
 Commercial competence and business acumen; Commercial models; Business case development; Financial Modelling; Financial Management Budgeting

We are committed to attracting and developing talent through entry-level roles, with one third of the existing Procurement team being new entrants to the profession. We continue to support the Procurement People of Tomorrow Programme in actively promoting procurement as a career of choice. During 2018/19, three permanent Graduate new entrants in the Procurement team commenced the CIPS Diploma at City of Glasgow College. We have also recruited a Modern Apprentice to undertake the SVQ Level 3 in Procurement and Supply Chain.

8. Continuous Improvement

Our values as an organisation include a commitment to continuous improvement and keeping the customer at the heart of all we do. The Procurement team has continued to seek feedback, both internally and externally, in order to ensure we deliver the best possible service to our customers, including through conducting an internal 'voice of the customer' exercise, which resulted in the delivery of new e-learning modules.

With the assistance of the Quality Assurance & Improvement team, the Procurement & Legal Department recently achieved an improved score in its internal business excellence self-assessment, increasing from 417 to 477, which is a Silver rating. A total of seven improvement actions emerged, six of which are team actions which will be implemented.

Procurement Commercial Improvement Programme (PCIP)

Our Procurement team provided supporting statements and evidence for the PCIP, undertaken by the Scottish Government Procurement Capability team. The PCIP was conducted in early 2019 and covered four key areas:

- Leadership & governance
- Strategic sourcing
- Contract management
- Processes

SDS was once again ranked as High Performing, with a score of 87%. The Procurement team was recognised for our best practice approach to talent management and skills/e-learning. Other subjects covered at the PCIP included cyber security, ethical trading and management information.

Annex A. Scottish Government Annual Procurement Activity Report – Input

1. Organisation and report details	
a) Contracting Authority Name	SDS
b) Period of the annual procurement report	2018-2019
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? (Yes / No)	Yes
2. Summary of Regulated Procurements Completed	
a) Total number of regulated contracts awarded within the report period	161
b) Total value of regulated contracts awarded within the report period	£139,241,964.23
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	121
i) how many of these unique suppliers are SMEs	78
ii) how many of these unique suppliers how many are Third sector bodies	17
3. Review of Regulated Procurements Compliance	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	161
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0
4. Community Benefit Requirements Summary	
Use of Community Benefit Requirements in Procurement:	
a) Total number of regulated contracts awarded with a value of £4 million or greater	4
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements	3
c) Total number of regulated contracts awarded with a value of less than £4 million that contain a Community Benefit Requirements	1
Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:	
d) Number of Jobs Filled by Priority Groups (Each contracting authority sets its own priority groups)	Not Applicable
e) Number of Apprenticeships Filled by Priority Groups	Not Applicable
f) Number of Work Placements for Priority Groups	Not Applicable
g) Number of Qualifications Achieved Through Training by Priority Groups	Not Applicable
h) Total Value of contracts sub-contracted to SMEs	Not Applicable
i) Total Value of contracts sub-contracted to Social Enterprises	Not Applicable

j) Total Value of contracts sub-contracted to Supported Businesses	Not Applicable
k) Other community benefit(s) fulfilled	Not Applicable
5. Fair Work and the real Living Wage	
a) Number of regulated contracts awarded during the period that have included a scored Fair Work criterion	2 (Modern Apprenticeship contract is made up of 87 individual frameworks)
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period	121
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	35
d) Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	25
6. Payment performance	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	310637
b) Percentage of invoices paid on time during the period ("On time" means within the time period set out in the contract terms.)	98.77%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	161
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0
7. Supported Businesses Summary	
a) Total number of regulated contracts awarded with a value of £4 million or greater	3
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements	£119k
i) spend within the reporting year on regulated contracts	£119k
ii) spend within the reporting year on non-regulated contracts	N/A
8. Spend and Savings Summary	
a) Total procurement spend for the period covered by the annual procurement report.	£160,600,460.22
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	£105,707,222.92
c) Total procurement spend with Third sector bodies during the period covered by the report.	£17,500,000
d) Percentage of total procurement spend through collaborative contracts.	33%
e) Total targeted cash savings for the period covered by the annual procurement report	£615,000.00
i) targeted cash savings for Cat A contracts	£340,000.00
ii) targeted cash savings for Cat B contracts	Not Applicable
iii) targeted cash savings for Cat C contracts	£275,000.00

f) Total delivered cash savings for the period covered by the annual procurement report	£618,375.96
i) delivered cash savings for Cat A contracts	£342,770.58
ii) delivered cash savings for Cat B contracts	Not Applicable
iii) targeted cash savings for Cat C contracts	Delivered cash savings for Cat C contracts £275,587.38
g) Total non-cash savings value for the period covered by the annual procurement report	Not Applicable
9. Future regulated procurements	
a) Total number of regulated procurements expected to commence in the next two financial years	10

Annex B. Summary of regulated Procurements expected to commence in the next two financial years

NTP – Modern Apprenticeships

FA Expenditure

Evaluation and Research

UK CES National Occupational Standards

Property, Facilities & Carbon Management

Enterprise & Information Systems

Information Technologies & Systems

(Shared service with Scottish Enterprise and Highlands and Islands Enterprise)

Training & Development

Human Resources (Recruitment Services)

Digital Skills

Digital