

Annual Procurement Report

2019/20

Contents

Introduction	3
The Procurement Journey	4
Regulated contract expenditure and activity in 2019/20	5
New technology resulting in carbon emissions reduction	6
Value for money savings	8
Responsible and sustainable procurement	9
Embedding best practice in SDS	11
Organisational resilience	11
Learning, development, talent management	12
Continuous improvement activity	13
Annex A. Scottish Government Annual Procurement Activity Report – input	14
Annex B. Summary of regulated procurements expected to commence in the next two financial years	17

Introduction

Skills Development Scotland (SDS) is a public sector contracting authority, subject to the Procurement Reform (Scotland) Act 2014. We are required to produce an annual report on our regulated procurement activities.

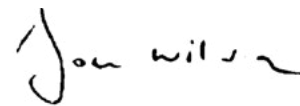
SDS champions the Scottish Procurement Model by embedding sustainable procurement. Sustainable procurement is “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the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

We spend more than 65% of our financial budgets through providers who deliver essential services on our behalf. Our key procurement principles incorporate fairness, openness, transparency, mutual recognition, non-discrimination and proportionality.

SDS is pleased to publish our seventh Annual Procurement Report which meets the requirements of Scottish Ministers (Scottish Procurement Policy Note 1/2018) and is aligned to the SDS Corporate Procurement Strategy 2016/20. Our Strategy includes the 2020 SDS Procurement Vision and Mission Statement and meets the requirements of Scottish Ministers (SPPN 11/2016).

This report contains detail of our regulated and non-regulated procurements and key highlights from the 2019/20 financial year.

SDS continues to adapt and respond to changes to the external environment we operate in. In 2019/20, this has included preparatory work as the UK leaves the EU and our response to the COVID-19 crisis towards the end of the 2019/20 financial year.



Tom Wilson

Head of Procurement
tom.wilson@sds.co.uk

The Procurement Journey

To ensure consistency of approach in the Scottish public sector, we are asked to adhere to the Scottish Government's Procurement Journey, as shown in Figure 1.

At SDS we ensure compliance with this model throughout our work, and auditors have noted a clear alignment of our practices to the stages of the Procurement Journey. Our central 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 EIS Shared Service which is based on the Gartner Service Towers.

Figure 1 Route 3 Requirements



Regulated contract expenditure and activity in 2019/20

During the Financial Year 2019/20 (1 April 2019 to 31 March 2020):

- 279 contracts were placed by SDS
- 88 grants were disbursed by SDS

The total number of contracts placed and grants disbursed during Financial Year 2019/20 was 367. This includes all suppliers that have been awarded places on SDS Framework Agreements, and call offs made under those framework agreements.

Our total contracted supplier expenditure for the financial year 2019/20 is illustrated in Figure 2. This shows that 99% of our expenditure achieved contract compliance, being made through regulated procurements. The 1% expenditure not covered by regulated procurement 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.

Figure 2 2019/20 Spend – £166,982,868

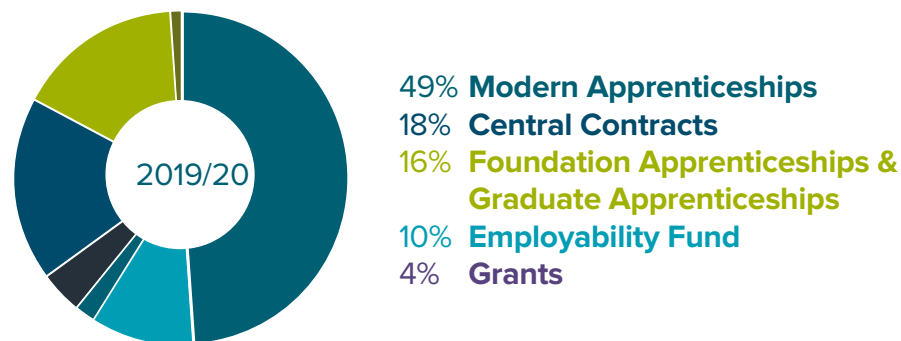


Table 1 SDS Spend in 2019/20

Area of Expenditure	Expenditure (£000)	%
Modern Apprenticeships	81,845	49.01%
Employability Fund	17,108	10.25%
Foundation Apprenticeships & Graduate Apprenticeships	26,173	15.67%
Grants	6,133	3.67%
Central Contracts	30,493	18.26%
Property	3,124	1.87%
Ad-Hoc/Non Recurring	1,759	1.05%
Non-Regulated	348	0.21%

The Annual Procurement Report expenditure breakdown is based on the Scottish Procurement Information Hub commodity categorisation based on eClass.

New technology resulting in carbon emissions reduction

The United Nations (UN) has a series of Sustainable Development Goals. These 'global goals' and targets are part of an internationally agreed performance framework. All the countries who have adopted the Sustainable Development Goals, including Scotland, are aiming to achieve them by 2030.

To support this ambition, SDS have transitioned to new technology, cloud-based Azure, which has resulted in a significant reduction in carbon emissions.

The Azure project involved moving our supported systems to a new cloud-based environment capable of supporting future systems we may use and allowing us to control costs better by using a 'pay as you go' format.

Sustainability outcomes

97 servers were migrated to Microsoft Azure data centres, allowing the legacy project to remove over 350 servers that were no longer required.

Microsoft has committed to ensuring that their already more efficient data centres will be powered entirely by renewable sources of energy by 2025. When renewable energy is considered:

- carbon emissions from Azure Compute are 92–98% lower than traditional enterprise datacentre deployments of compute equivalents
- carbon emissions from Azure Storage are 79–83% lower than traditional enterprise datacentre deployments of storage equivalents
- carbon emissions from SharePoint Online are 72–97% lower than traditional enterprise datacentre deployments of SharePoint.

SDS Sustainable Procurement Lifecycle



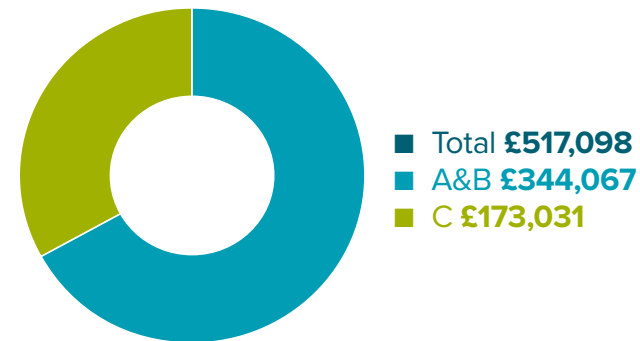
Table 2 Multi lot frameworks awarded by SDS in 2019/20

Framework Agreement	Recruitment Services	Web Development	Devolved Administrations National Occupation Standards
Lots included	<p>Lot 1 – Specialist I.C.T Recruitment</p> <p>Lot 2 – General Recruitment</p> <p>Lot 3 – Executive Search</p>	<p>Lot 1 – Digital Experience Design</p> <p>Lot 2 – Front and back end and Umbraco</p> <p>Lot 3 – Front and back end and Drupal</p>	<p>National Occupational Standards (NOS), including cleansing of NOS</p> <p>Welsh Translation for NOS, where required</p> <p>Scottish Vocational Qualifications (SVQs) or alternative competency-based qualifications (CBQs) for use in apprenticeship frameworks</p> <p>Apprenticeship Frameworks in Scotland, Wales and Northern Ireland</p>
Number successful	6 suppliers	10 suppliers	22 suppliers
Benefits	<p>Timely provision of applications from suitably qualified and referenced candidates</p> <p>Efficient payroll processing for temporary workers, contractors, and any direct sourced applicants</p> <p>The accurate recording and provision of Management Information reports to inform contract management meetings</p> <p>Support to attract a diverse pool of suitably qualified candidates</p>	<p>Access to pre-assessed suppliers to deliver projects when requirements arise, all of which have some level of third-party cyber certification</p> <p>Many of the suppliers recommended for appointment are either Living Wage Employers and/or have signed the Scottish Business Pledge</p>	<p>Collaborative working across the devolved nations</p> <p>Collaboration of all Apprenticeship frameworks; National Occupational Standards; Scottish Vocational Qualifications and Welsh Translation</p> <p>Stability within the standards and frameworks sector</p> <p>Longer term contract, encompassing all scope of requirements including data cleansing and translation services</p> <p>Fixed maximum costs</p> <p>Ease of approach/route to market</p>
Length of framework	2 + 2 years	2 + 2 years	2 + 2 years

Value for money savings

Value for money is a principle tenet of public sector procurement: “meeting customer’s requirements at the lowest wholelife cost”. We use a standardised method for calculating value for money, calculating reductions made against historical cost. The total value for money savings realised on central contracts placed by SDS during Financial Year 19/20 was £517,098.

Figure 3 Value for money savings achieved in 2019/20



A - National contracts
B - Sector specific contracts
C - SDS specific contracts

Responsible and sustainable procurement

Supplier inclusion supports sustainable procurement and is of significant importance to SDS. We are pleased to have a diverse range of suppliers/providers to deliver our wide range of services that contribute to our successes. We remain committed to supplier inclusion, as detailed in this report, and seek to conduct business with a wide range of providers, including small and medium enterprises (SMEs), and third sector/socio-economy organisations, including supported businesses.

SDS's spend profile is economically and socially responsible. 66% of SDS's expenditure during the reporting year was with UK SMEs which is greater than the Scottish public sector average. Put simply, 66 pence in every £1 SDS spent in 2019/20 went to small and medium size enterprises. Of that spend, 91% was spent with Scottish SMEs, equivalent to 60% of our overall expenditure. In total, 76.6% of SDS's expenditure during the reporting year was with SME's and not-for-profit organisations.

Table 3 SDS expenditure with SMEs and Third Sector Organisations
SMEs

Organisation Type	% of SDS Expenditure
UK SMEs & Not-for Profit Orgs / Third Sector	76.6%
UK SMEs	65.6%
Scottish SMEs	59.5%

Responsible and sustainable procurement

Prompt payment

Prompt payment is a priority when seeking to act in a responsible and sustainable manner. We are committed to paying suppliers and understand the importance of prompt payment to ensure that suppliers do not have cash flow difficulties. Our on-time payment performance is 94.22% payments made in fewer than 10 days and 98.8% in fewer than 30 days.

Fair Work practices

SDS believes that a supplier's approach to fair work practices, including paying the real Living Wage, can have a positive impact on the quality of goods, works and services delivered to us through our contracting activity.

Modern Slavery

SDS have updated our [Modern Slavery Statement](#) on the external website. This details the measures that SDS are taking to ensure that no modern slavery or human trafficking is occurring in our organisation or our supply chains. Further, the Procurement Department has produced a sector-leading [Prevention of Modern Slavery in Procurement Policy](#).

In order to raise staff awareness of the risk of Modern Slavery further, an e-learning module has been published on the Academy, alongside a Best Practice Guidance Note.

Through our procurement activity, SDS:

- promotes fair work in all relevant procurements in a proportionate manner, ensuring an appropriate balance between the quality and cost of the contract, including the impact of cost on working conditions
- ensures suppliers delivering SDS contracts adopt and demonstrate appropriate fair work practices, and that these apply for all workers engaged in delivering the contract
- seeks to work with suppliers who show their commitment to fair work practices by, as a minimum:
 - investing in workforce development
 - demonstrating no inappropriate use of zero hours contracts
 - taking action to tackle the gender pay gap and create a more diverse and inclusive workplace
 - providing opportunities for effective employee voice, such as trade union recognition
 - paying employees the real Living Wage.

Equality, diversity and inclusion

The Public Sector Equality Duty requires public authorities, in the exercise of its functions, to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act 2010
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not
- foster good relations between people who share a protected characteristic and those who do not.

Embedding best practice in SDS

SDS is required to interpret and implement recent changes in procurement legislation as we see fit as a contracting authority, consider their impact on our procurement policy and processes and communicate that to appropriate colleagues.

The SDS Procurement Team has created a suite of Best Practice Guidance Notes for internal customers which are available to view on our [corporate site](#). These cover:

- community benefits in procurement
- supported businesses
- contract management
- demand management
- entry routes into procurement
- evaluation of tenders
- grant v procurement
- fair work practice
- identifying and defining requirements
- Modern Slavery in procurement
- Brexit and data protection in the UK
- sustainable procurement
- data analytics and spend and spend management information.

Organisational resilience

The SDS Procurement and Legal Team undertakes activity to support organisational resilience. This year, this has included:

- a Scoping and Readiness Assessment for **Brexit** which identified Procurement documentation which requires to be changed
- an analysis of the SDS Procurement expenditure was undertaken in conjunction with Scottish Government
- a major risk assessment of business critical suppliers was conducted in relation to **COVID-19**, including providing support on Grant Relief for National Training Programme Training Providers. Regular meetings were conducted in relation to the implementation of the new Scottish Procurement Policy Notes
- **Cyber Security** has been included within our Procurement Contract Strategy Templates to ensure it is considered in every contract from regulated procurement value upward. Our strategy is in line with Scottish Government guidance and takes into account the cyber security risk, ensuring these are appropriate and do not unnecessarily discourage SMEs from bidding.

Learning, development, talent management

SDS undertakes a customised approach to the professional development of procurement staff. A member of the team has now completed the SVQ 3 in Procurement and Supply Chain with relevant work-based learning. The graduate recruits were fast-tracked through the Chartered Institute of Procurement and Supply at City of Glasgow College through day release. More experienced members of staff were professionally developed through the Scotland Excel collaborative learning programme.

SDS annually ensure that procurement practitioners undertake the Scottish Government National Procurement Competency Framework.

This is based on the Chartered Institute of Procurement and Supply four pillars:

- Infrastructure
- Process
- Performance
- People

The Chartered Institute of Procurement and Supply is an international professional body with Global Occupational Standards.

Additionally, this year, the Procurement Team attended training sessions on the new Scottish Cyber Assessment Service. This is an online decision-making support tool provided by Scottish Government.

This allows the purchasing body to answer questions around their requirements, and the tool provides minimum requirements. Suppliers can then login to complete a security questionnaire. The burden on suppliers is reduced as questions are standardised across the public sector and answers can be saved and used in future tenders. The Procurement team plan to trial use of this tool for a future procurement.

The SDS Procurement and Legal team has developed a range of e-learning material for colleagues, available through the SDS Academy covering:

- business benefit/value for money
- contract management
- evaluating tenders
- fair work practices in procurement
- grant or procurement
- identifying and defining requirements
- Modern Slavery
- procurement legislation
- SDS procurement journey and sustainable procurement.

E-learning developed by SDS has also been shared with other public organisations. In addition, Best Practice Guidance Notes (BPGN) are published with the relevant e-learning modules to be used as desktop guides.

Continuous improvement activity

Our values as an organisation include a commitment to continuous improvement and keeping the customer at the heart of all we do. The Procurement and Legal team has continued to seek feedback, both internally and externally, to ensure we deliver the best possible service to our customers.

This included thorough feedback from an internal Voice of the Customer exercise, and an Internal Support Services Survey, leading to the development of actions in our continuous improvement action plan. Examples of this activity included reporting improvements following finance system (Agresso) updates and commencement of formal recording of whether contracts are re-let in time, and where any delays occur.



Annex A. Scottish Government Annual Procurement Activity Report – input

1. Organisation and report details	
a) Contracting authority name	Skills Development Scotland
b) Period of the annual procurement report	April 2019 – March 2020
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	279
b) Total value of regulated contracts awarded within the report period	£134,676m
c) Total number of unique suppliers awarded a place on a regulated contract during the period	155
i) how many of these unique suppliers are SMEs	n/a
ii) how many of these unique suppliers	n/a
iii) how many are Third sector bodies	n/a
3. Review of regulated procurements compliance	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	279
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	2
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain community benefit requirements	2
Benefit Requirements	
c) Total number of regulated contracts awarded with a value of less than £4 million or greater that contain community benefit requirements	0
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 available
e) Number of apprenticeships filled by priority groups	Not available
f) Number of work placements for priority groups	Not available

Annex A. Scottish Government Annual Procurement Activity Report – input (continued)

4. Community benefit requirements summary continued	
g) Number of qualifications achieved through training by priority groups	Not available
h) Total value of contracts sub-contracted to SMEs	Not available
i) Total value of contracts sub-contracted to Social Enterprises	Not available
j) Total value of contracts sub-contracted to supported businesses	Not available
k) Other community benefit(s) fulfilled	Not available
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
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	155
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period	45
d) Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	33
6. Payment performance	
a) Number of valid invoices received during the reporting period	12,654
b) Percentage of invoices paid on time during the period (“On time” means within the time period set out in the contract terms)	98.8%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains	279
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0

Annex A. Scottish Government Annual Procurement Activity Report – input (continued)

7. Supported businesses summary	
a) Total number of regulated contracts awarded to supported businesses during the period	3
b) Total spend with supported businesses during the period covered by the report, including:	
i) spend within the reporting year on regulated contracts	£209k
ii) spend within the reporting year on non-regulated contracts	£209k
8. Spend and savings summary	
a) Total procurement spend for the period covered by the annual procurement report	£166.9m
b) Total procurement spend with SMEs during the period covered by the annual procurement report	£109.5m
c) Total procurement spend with Third sector bodies during the period covered by the report	£17.9m
d) Percentage of total procurement spend through collaborative contracts.	34%
e) Total targeted cash savings for the period covered by the annual procurement report	n/a
i) targeted cash savings for Cat A contracts	n/a
ii) targeted cash savings for Cat B contracts	Not measured
iii) targeted cash savings for Cat C contracts	£170,000
9. Future regulated procurements	
a) Total number of regulated procurements expected to commence in the next two financial years	n/a
b) Total estimated value of regulated procurements expected to commence in the next two financial years	n/a

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

Due to the disruption of COVID-19, we cannot provide anticipated budgetary expenditure.

NTP – Modern Apprenticeships
Foundation Apprenticeship and Graduate Apprenticeship Promotion
Employability Fund
Evaluation and Research
UK CES National Occupational Standards
Property, Facilities and Carbon Management
Enterprise and Information Systems Information Technologies and Systems (Shared service with Scottish Enterprise and Highlands and Islands Enterprise)
Training and Development
Digital Skills
Pathway Apprenticeships