Annual Procurement Report 2021-2022

Every day SEPA works to protect and enhance Scotland's environment, helping communities and businesses thrive within the resources of our planet.

We call this **One Planet Prosperity**

Dec. 2022

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Introduction

This Annual Report complies with the requirements of the Procurement Reform (Scotland) Act 2014 by detailing SEPA's general performance and progress during the financial year 2021/22 against the SEPA Procurement Operating Plan 2021 – 2024 (our Procurement Strategy).

Our Procurement activity supports SEPA's contribution to the Scottish Government's National Outcomes, set out within Scotland's National Performance Framework and our procurement activity is inherent in the delivery of all our corporate outcomes.

The financial analysis has been conducted on data extracted from SEPA's finance and procurement system, Agresso.[1] Table 1 summarises SEPA's key procurement statistics for the financial year 2021/22. It should also be considered that because of the cyber-attack very few supplier payments were made in Q4 of 2020/21. Consequently, these delayed payments are contained in the Q1 data for 2021/22. This has the effect of showing a higher than expected spend in 2021/22.

Additionally, with the increased scale of the Water Environment Fund, Grants and Memorandums of Understanding have been excluded to ensure the figures are an accurate representation of our overall Procurement Spend[2].

All figures in the Annual Report are exclusive of VAT at the current rate.

Table 1

Spikes Cavell Procurement Dashboard	Revenue & Capital FY 2021/22
Total value of transactions reported	£17,418,890
Number of transactions (Purchase Orders)	4,570
Expenditure with SMEs	6,549,503 (38%)
Active supplier accounts in this period:	527
Total number of invoices	4,629

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[1] The Scottish Procurement and Commercial Directorate of the Scottish Government commission an external body, Spikes Cavell, to conduct an annual national spend analysis programme. This is carried out by organisations submitting specific transactional data for the relevant financial year to Spikes Cavell. As such, the data included in this report was verified and provided by Spikes Cavell.

[2] Note this refers to all procurement spend, which includes but is not limited to Regulated Procurement.

Topics covered in this report include:

Section 1 – Summary of Regulated Procurement activity[3] during the period

Section 2 – Achievement against SEPA Procurement Strategy (Procurement Operating Plan 2021 – 2024)

Section 3 – Future Regulated Procurement activity 2022 – 2023

Section 4 – Benefits

Annex 1 – Regulated procurements completed

Annex 2 – Planned Regulated procurement activity FY 2022/23

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[3] The Procurement Reform (Scotland) Act 2014 (the Act) introduced an additional category of expenditure - Regulated Procurement. Regulated Procurement is defined by the Act as Supplies and Services where the total contract value is greater than fifty thousand pounds (£50,000), and a construction works project greater than two million pounds (£2,000,000) over the life of the contract.

1. Summary of Regulated Procurement activity during the period

1.1 Background

Financial year 2021/22 continued to be heavily disrupted for SEPA following the serious cyber-attack in December 2020 which has had a most significant and lasting impact on our organisation. When coupled with the wider COVID-19 impacts, which all organisations and global supply chains faced and with SEPA's financial systems rebuild remaining ongoing through the period, the focus remained heavily on 'responding' and 'rebuilding' in 2021/22.

With that said, 2021/22 was an active year for Procurement at SEPA and we capture our successes herein. We also show progress against our Procurement Strategy[4] and identify opportunities for improvement where appropriate.

1.2 Legal & Procedural framework

SEPA undertakes all Regulated procurement within the legal and procedural frameworks, as shown below, and have ensured that our Procurement Strategy supports delivery in alignment with these frameworks.

- Procurement legislation
- the Scottish Government's Public Finance Manual
- the Scottish Government's Procurement Journey (offering guidance on best practice)
- the Scottish Government's Sponsorship team instructions to SEPA
- SPPNs
- SEPA Delegated Limits of Authority Policy
- internal procurement policies and processes for Regulated procurement activity.

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[4] Hereafter references to SEPA Procurement Strategy means reference to our Procurement Operating Plan 2021 - 2024

1.3 Specific duties under Procurement Reform (Scotland) Act 2014, S.18 (2)

Under the Act, this annual procurement report must include;

> *"… (a) a summary of the regulated procurements that have been completed during the year covered by the report…"*

• Total Regulated procurement spend[5] was £8.6M

• A listing of Regulated contracts awarded is included in *Annex 1*.

> *"… (b) a review of whether those procurements complied with the authority's procurement strategy…"*

There were no Regulated procurements i.e. >£50,000 which did not comply with the Procurement Strategy. A further analysis of our performance against our Strategy is shown in Section 2.

> *"… (d) a summary of any community benefit requirements imposed as part of a regulated procurement that were fulfilled during the year covered by the report…"*

Procurement is required to consider whether to impose community benefits requirements as part of any procurement which has an estimated value of the contract equal to or greater than £4,000,000 over the term of the contract.

In 2021/22 only one procurement over £4,000,000 was concluded; this was for the Future Flood and Incident Messaging Service (FFIMS). Through the contract the following community benefits are expected to be achieved:

Supplier commitment to SEPA: Subject to supplier (and their key sub-supplier) recruitment policies, they will recruit across several job roles in Scotland in the duration of the contract including:
• Trainee Engineer Apprenticeships • Apprenticeship Leads • Engineers. By their entry-level nature, a significant number of the apprenticeships we are recruiting in Scotland will be aimed young people under the age of 25 as first-time entrants to the labour market.

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[5] Spend reflects 'regulated spend' which SEPA undertook in FY 21-22, the precise figure is £8,611,229.

Supplier commitment to SEPA: will co-design one significant project every year with SEPA and ensure this volunteering opportunity is promoted to all 2630 staff in all locations in Scotland and the surrounding areas. Each annual project will be designed specifically to support the community benefit objectives.

Supplier commitment to SEPA: will commit to work in partnership with SEPA to fund or co-fund (up to the value of £250,000), one use case focusing one of the 4 areas in the Regenerative SEPA Goal (GHG Emissions, Materials, Water and Waste).

> *"… (e) a summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the year covered by the report…"*

A supported business' primary aim is the social and professional integration of disabled or disadvantaged persons. SEPA continue to chase the Scottish Government target of awarding at least one contract to a Supported Business each year however in 2021/22 only £1,520 was spent. It has been a challenge to identify opportunities for Supported Business engagement, however an area of focus in 22/23 will be the future or our workspaces and this may provide opportunities for such engagement.

> *"… (f) a summary of the regulated procurements the authority expects to commence in the next two financial years…"*

Please refer to Section 3 of this report for further detail on this requirement.

1.4 General duties under Procurement Reform (Scotland) Act 2014 – Part 2

1.4.1 Sustainable Procurement duty

Progress was made against the Sustainable Procurement Objectives outlined in the Procurement Strategy, and these are detailed further in Section 2.

Out-with the Strategy, we have maintained our membership of the ICLEI (Local Governments for Sustainability)[6] Procura+ Sustainable Procurement Network as we seek to share experiences with, and learn from, others around the EU.

Regulated tender strategies have included the Scottish Government's Sustainability Test and referred to the Sustainable Procurement Guidance to evidence how we might improve the social, environmental and economic wellbeing of the area in which the tender will operate.

Our future Category strategies will extend to include specific emissions targets to help us further embed sustainability measures wherever we are able to specify these.

In addition to the commitments within our Procurement Strategy, there is a target to implement a rolling action plan within the procurement function to support wider sustainable procurement progress across the functions we support. This will be demonstrated in future Annual Procurement Reports.

1.4.2 Small Medium Enterprises (SME)

As part of the public sector, SEPA acknowledges it has a role in contributing to Scotland's economic success. While we do seek to leverage existing available Contracts in our strategies (e.g. internal or external Frameworks), to further encourage SME suppliers, we advertise through Public Contracts Scotland using either the Quick Quotes functionality, or formal tendering formats.

In addition, the Procurement Team have used the following opportunities to engage with potential suppliers:

• Supplier Development Programme (SDP) Membership and attendance at online SDP 'Meet the Buyer' Events – This offers SEPA capacity to engage with suppliers across Scotland in the key sectors that we operate.

• Soft market tests and wider market engagement – Prior Information Notices (PINs) have been used to assess the state of markets and inform specifications prior to procurement exercises.

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[6] The ICLEI – 'Local Governments for Sustainability' is an international non-governmental organization that promotes sustainable development.

1.4.3 Supplier Payments

SEPA complies with the Scottish Government's prompt payment policy and Scottish Government's Public Finance Manual in that all suppliers' invoices not in dispute are paid within the terms of the relevant contract, normally 30 days from receipt however we strive to achieve payments within 10 days.

To the end of FY 2021/22, payment performance was in line with previous benchmarks (98% within 30 days of receiving a valid invoice)[7].

1.5 Contract Register

The Public Reform (Scotland) Act 2014 requires a register of current contracts to be published on the Internet.   SEPA's contract register is accessible on our website:

contract-register.pdf (sepa.org.uk)

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[7] Performance is tracked from date of recording of receipt within our Agresso system, to payment date.

2. Achievements against SEPA Procurement Strategy

SEPA's Procurement Strategy is part of an ongoing drive to be more commercial, flexible, responsive, and innovative; to do a better job at a lower cost and become a world class Environmental Protection Agency (EPA). The strategy documents 4 key aims:
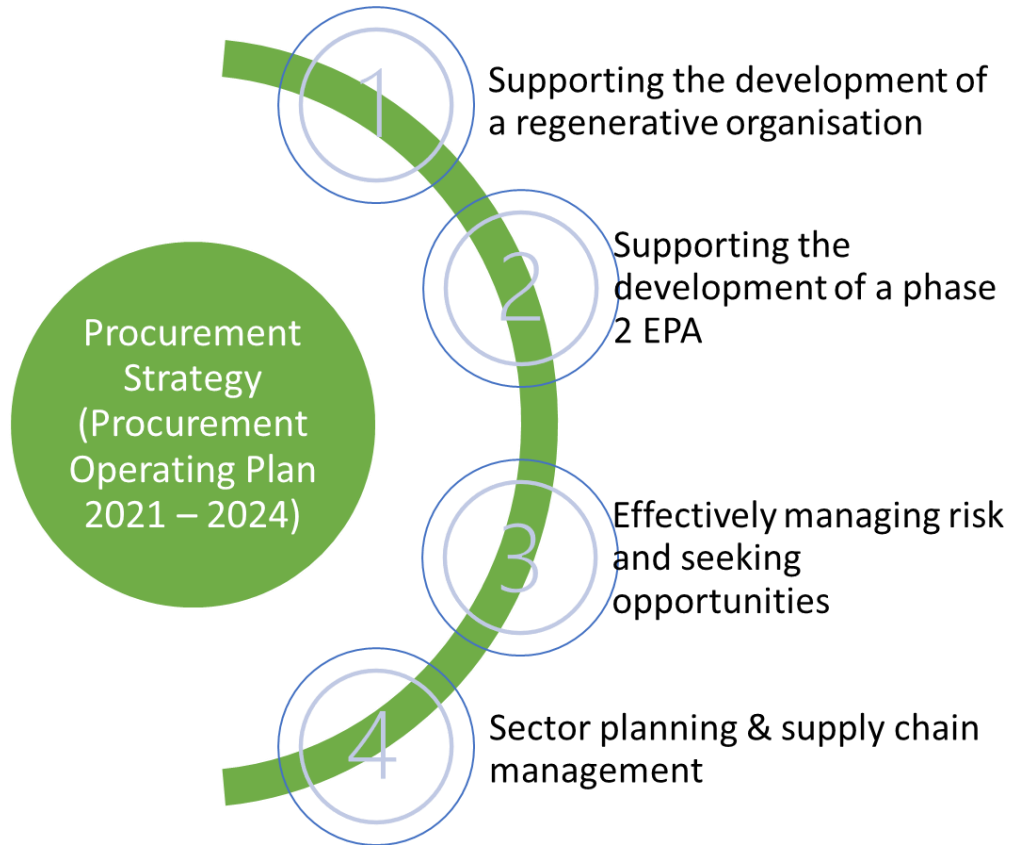
Our performance against each aim is monitored on an ongoing basis and forms the core of the Procurement Team's activity. A summary of our performance to date against each aim is tabulated below.

Aim 1: Supporting the development of a regenerative organisation

How will we deliver?	What will success look like?
Supporting effective decision making to drive down direct GHG emissions. Reducing supply chain GHG emissions, water use, waste and materials use by: o working with our suppliers to understand their impacts; o joint action planning; o more robust procurement processes. Improving governance for capital procurement. Working with relevant Central Purchasing Bodies (e.g., Scottish Government, Crown Commercial Service, Scotland Excel, etc.) to influence Framework Agreements so they remain fit for purpose in a Regenerative SEPA. Avoiding compromise with other key objectives including Fair Work First and contracting with Supported Businesses.	All new contracts which have an impact on direct emissions will have Regenerative SEPA targets which align with our goal. A clear action plan is in place to take us to Net Zero direct GHG emissions by 2025. Opportunities for immediate action are not overlooked. A procurement roadmap is approved which supports the achievement of our 2030 Regenerative SEPA Goal. Our high impact contracts will contain a requirement for suppliers to work with us towards our Regenerative SEPA Goal.

Achievements thus far:

Significant collaborative working has been undertaken between the Procurement Team and the Regenerative SEPA Coordinators, with a Procurement rolling-action plan to support ongoing, and ambitions for more sustainable procurement, nearing completion.

Our highest impact contracts have been identified and we are prioritising action accordingly. Areas including construction, outsourced sampling, fleet, equipment and consumables have received particular focus.

Procurement exercises for our largest and longest contracts, irrespective of their position in the prioritisation, have included Regenerative SEPA requirements, but it is recognised that entire whole supply chain will need to contribute if we are to achieve our 2030 goal.

Work is now underway to measure the impacts of our actions in procurement - this will enable us to effectively report on change and understand progress towards our organisation-wide 2030 goal, with the expectation that future annual reports will show achievements in that space.

Aim 2: Supporting the development of a Phase 2 Environment Protection Agency

How will we deliver?	What will success look like?
Supporting effective and timely recovery from the cyber-attack. Ensuring the support our Procurement Team offer is well informed, agile, and dynamic. Evaluating, managing, and mitigating procurement and supply chain risk. Driving innovation in the pursuit of One Planet Prosperity. Delivering innovative contracting approaches. Developing key commercial skills across the organisation through: o Further development of our training on "Discover" and other corporate learning platforms. o Making the most of Microsoft 365 (Teams) – Running short "masterclass" style sessions for relevant colleagues will help to build the knowledge and skills required to be effective contract and supplier relationship managers. o Coaching relevant colleagues to deliver robust contract management. Supporting our staff through coaching will ensure they experience practical learning. Delivering effective and efficient self-service. Feeding into the new JE Scheme and System at the appropriate time to ensure commercial skills are recognised as an important part of people's roles. Rightsizing the procurement function depending on the developing role of the team.	Procurement is considered as an option early in decision making. The Procurement Team are actively involved in key decision making across the organisation. Our staff have the commercial skills to be confident in their management of our suppliers. An increase in the £15k threshold for involving our procurement team in tendering exercises is feasible as competency across the organisation increases.

Achievements thus far

Following a period of significant change, rebuild and recovery, the Procurement Team are now delivering a dramatically improved service to the organisation. Although sourcing remains an essential part of the team's role, we are playing a much more hands on role in contract mobilisation, management, and exit.

Approaches to sourcing have drawn on best practice elsewhere and following a successful recruitment process, additional resource has joined the Procurement team to improve the range and experience of support provided to our organisation's functions.

All progress on Self Service for contract managers was lost in the cyber-attack but is now being re-built and improved with a training deployment plan due for roll out by the end of 2022, to map learning & development opportunities for the coming FY.

An opportunity for improvement has been identified in terms of how we document our sourcing strategies for Regulated procurements, understanding that much of such strategy documentation was lost, and not recovered, post the 2020 cyber-attack. Focus will be applied in the next FY to ensure improvement is seen, in alignment with Procurement Journey recommended practices.

Aim 3: Effectively managing risk and seeking opportunities with our supply chain

How will we deliver?	What will success look like?
Working with our suppliers to understand the risks and opportunities as they see them. Working with our suppliers to ensure effective contingency plans are in place for key risks. Assessing our supplier's preparedness for the materialisation of developing risks such as cyber security and climate change. Playing an active role in developing key markets where there is limited competition and/or resilience. Working with the Scottish Supplier Development Programme (SDP) to reduce barriers to small and medium sized enterprises (SMEs) seeking to enter our supply chain.	Resilience and risk will be actively managed in our supply chain – reducing the likelihood and impact of future service disruption. Our supply chain will be fit for a Phase 2 EPA.
Achievements thus far	

As for most organisations, SEPA is currently facing compounding external supply chain risks. Some of the most significant risks include:

- Ongoing impact of COVID – high levels of absence, last minute cancellations.
- Conflict in Ukraine – impacts of sanctions, supply chain disruption.
- High inflation – suppliers committed to fixed prices are vulnerable to losses. Contracts require appropriate mechanisms to manage risks for SEPA and our suppliers.
- Continued shortages of integrated circuits – impacting availability of electronic components.
- International distribution & logistics disruption – due to driver shortages and increasing fuel costs.
- Workforce changes – high levels of vacancies impacting capacity for both tendering and delivery.

Many of these risks are expected to continue through 2022/23 and beyond. Ongoing management of the risks, particularly in critical parts of our supply chain, is essential. Contract Managers, with support from the Procurement Team, have sought to understand and mitigate where possible the significant risks facing our supply chains.

Aim 4: Sector planning and supply chain management

How will we deliver?	What will success look like?
Identifying those sectors where the supply chain impacts are most significant. Working with the relevant sector leads and sponsors to support the effective articulation of supply chain risks and opportunities in the Sector Plan. Supporting our regulatory colleagues to understand the supply chain impacts of our regulated businesses.	Plans for those sectors with the most significant supply chain impacts will effectively consider those impacts. Regulatory colleagues responsible for the delivery of the sector plans will feel well equipped to support and advise regulated businesses on reducing their supply chain impacts.

Achievements thus far
Supply Chain risks monitored closely as part of the FY Capitol spend Planning – budget owners are kept informed of changes and mitigations worked where possible, however as with Aim 3 above, multiple external supply chain risks exist and evolve on a weekly basis which impact delivery and ongoing risk assessment and mitigation planning is required in the future. In terms of supporting our regulatory colleagues, the sector planning was not prioritised for action during 2021/22. It is expected that the Procurement Team support will be triggered in late 2022/23 and that it will be a focus through 2023 – 2024.

3. Future Regulated procurement activity

The value of regulated procurements planned for 2022/23 totalling £16.3M[8] and a tabulated summary of these is provided for in *Annex 2.*

Our Procurement Pipeline is managed by our Sustainable Procurement Manager, in consultation with function heads. It is subject to change to meet operational demands and shifting priorities, however we recognise there are opportunities to improve the level of 'real-time' engagement from functions to ensure procurement can make those pipeline adjustments in a more dynamic fashion.   Procurement will seek to influence functional stakeholders to support this throughout the next FY and beyond.

Route to market is a key consideration in any procurement and this will be influenced by multiple factors including specification, market availability, suitability of existing contracts and available external collaborative Framework Agreements, the anticipated value of requirements, as well as our general and specific duties under the Procurement Reform (Scotland) Act 2014, S.18 and Part 2.

Procurement route selection currently is, and will continue to be, a critical component in our sourcing strategies to ensure the optimal route to market is selected that will meet SEPA's needs and Annual Operating Plan objectives, deliver best value for money and ensure compliance with the legal and regulatory frameworks within which we operate.

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[8] Our Pipeline currently takes a view of Procurements >100k only reflecting the visibility the organization had at the time of initial Pipeline compilation, with the cyber-attack destroying our access to Contract data within our financial system (Agresso). With many gaps being left in terms of unrecoverable historical contractual related documentation, rebuilding this and re-establishing histories has been a challenge this FY. However significant rebuild will be completed in 2022, such that next years' Annual report will be able to include procurements between £50 – 99k.

4. Benefits

The Scottish Government's Procurement Benefits Reporting Guidance seeks to record and report benefits in a consistent manner across the public sector, allowing both non-cash and cash savings to be recorded. Benefits can be cash or non-cash and identified at the following stages:

> ➤ *Forecast* as part of a Procurement Strategy
> ➤ *Secured* as a result of a sourcing process
> ➤ *Delivered* throughout the life of the contract

What is the difference between cash and non-cash?

> ➤ *Cash* – reduced cost to SEPA against forecast a result of the sourcing process. This can enable, for example, additional scope to be procured or budgets to be reduced or reallocated
> ➤ *Non-cash* – benefits which may be measured in cash terms but which do not free up financial resource – e.g. the delivery of Community Benefits

Benefits calculation and recording, at all three stages and within cash and non-cash brackets, is at a relatively early phase within SEPA, albeit we continually achieve successes. This is identified as an opportunity for improvement in 22/23 with existing initiatives within our Procurement Strategy being directly mapped to benefits calculation skills, including how we assess best value in terms of environmental impacts, equality and diversity, community benefits and whole life-cycle costing into our tender evaluations where appropriate. Progress will be demonstrated in the next reporting period.

The below represents the expenditure and benefits achieved through collaborative and local contracts

FY 2021/22		
Contract category	**Contracted spend**	**% of Contract spend**
Total Contract Spend	**£12,706,172**	
Cash Savings	**£2,435,566**	**19%**

Note:
Total transactional spend - £17,418,890
Total Contract Spend (includes <50k contracts) - £12,706,172
Total Regulated Spend - £8,611,229

This concludes SEPA's 2021/22 Annual Procurement Report

December 2022- Allison Milloy, Chief Officer Finance, SEPA, Angus Smith Building, 6 Parklands Avenue, Eurocentral, Holytown, North Lanarkshire, ML14WQ

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http://contactscotland-bsl.org/
www.sepa.org.uk

ANNEX 1 – Regulated Procurements Completed

Compliance and Beyond

Description	Date To	Ext (Mths)	Review Date	Value (Ex. VAT)
Vodafone Storm Communication Integration	31/03/2024	24	03/10/2023	200,000.00
Standalone Airfilter S&M	31/12/2021	0	04/07/2021	69,980.00

Evidence and Flooding

Description	Date To	Ext (Mths)	Review Date	Value (Ex. VAT)
IT Peripherals	30/06/2021	0	01/04/2021	76,643.30
Laptop 2 purchase (250)	30/05/2021	0	01/12/2020	198,907.50
Laptop 3 Purchase (250)	15/07/2021	0	15/06/2021	197,417.50
Laptop 1 purchase (cirrca 150)	31/05/2021	0	02/03/2021	71,250.00
Gauging Station Huts [North]	28/02/2022	0	29/01/2022	50,485.89
Supply of an Optical Gas Detection System	29/04/2022	0	30/03/2022	58,100.00
VMWare Licences	11/08/2023	0	12/06/2023	151,532.06
National Pluvial Flood Hazard Dataset 2021	23/03/2023	2	24/03/2023	1,272,286.39
Future Flood and Incident Messaging Services (Implementation)	16/01/2023	0	18/10/2022	210,000.00
FFIMS Ongoing Services	31/03/2027	96	02/10/2026	4,600,000.00
Deposit Return Scheme set up	09/02/2022	0	10/01/2022	248,265.00
SharePoint Enablement 2	31/01/2022	0	01/01/2022	96,938.00
WISKI Cloud - IT Service Providing Contract	31/01/2022	0	04/08/2021	115,867.93
Bathing Water Signage Consultancy	04/10/2023	24	07/04/2023	79,967
Air Pollution Sensor System for Mossmorran	31/03/2022	0	01/03/2022	95,532.00
Spotfire Software Annual Support & Maintenance 2022/2023	23/02/2023	0	25/11/2022	85,005.00
Flood Forecasting Software S&M	31/03/2023	0	30/01/2023	57,000.00
SEPA SharePoint Enablement Adoption and M365 Technical Assurance	30/06/2022	0	31/05/2022	153,060.00
Supply of Ion Chromatograph	14/12/2024	0	15/10/2024	82,666.71
FIDAS 200 Fine Dust Monitor System	31/03/2022	0	01/03/2022	79,200.00

People and Property

Description	Date To	Ext (Mths)	Review Date	Value (Ex. VAT)
Occupational Health Services	31/03/2025	0	31/12/2024	50,000.00
Learning Management System License	24/05/2024	0	24/02/2024	89,985.00
Job Evaluation Scheme & System	13/03/2022	72	12/01/2026	385,500.00
SEPA Fleet Vehicles 2021/2022	31/03/2022	0	30/01/2022	50,000.00

Finance

Description	Date To	Ext (Mths)	Review Date	Value (Ex. VAT)
Audit Scotland Fees 2021/2022	31/03/2022	0	30/01/2022	55,620.00

ANNEX 2 – FY 2022/23 – 2023/24 Procurement Pipeline

Summary of contracts to commence in next 2 years, with a value greater than £100,000		
Contract	**Value**	**Planned contract start date**
Stack Emissions Monitoring Framework	£600k	Aug 2022
Unified Communications	£1.4m	Aug 2022
Offsite Storage and Document Management	£150k	July 2022
Gateside Wier (WEF – RIBA Stage 5 works)	£160k	July 2022
Media Monitoring	£110k	Sept 2022
Psychometric Testing and Assessment Centres	£300k	Sept 2022
Laboratory Gases	£200k	Oct 2022
Environmental Radioactivity Monitoring	£2.9m	Nov 2022
Next Generation Telemetry	£1.5m	Nov 2022
Formal Analysis (Chemistry)	£160k	Nov 2022
Routine and Business Continuity Analysis (Chemistry)	£240k	Nov 2022
M365 Support	£600k	Dec 2022
Personal Protective Equipment	£400k	Dec 2022
Design and Photography Framework	£400k	Dec 2022
Cloud and Hosting Services	£800k	Dec 2022
Rain Gauges Framework	£300k	Jan 2023
Small Boat	£200k	Jan 2023
Costal Mapping and Modelling	£200k	Jan 2023
Steelwork Framework	£500k	Feb 2023
Door Entry System	£300k	Late 2023
Cleaning and Waste Management	£2.6m	Jan 2024
Estate Maintenance	£2.0m	Jan 2024
Estates Professional Services	£300k	Feb 2024
Contracts Under Consideration	Value	Planned contract start date
Security Operations Centre	TBC	TBC