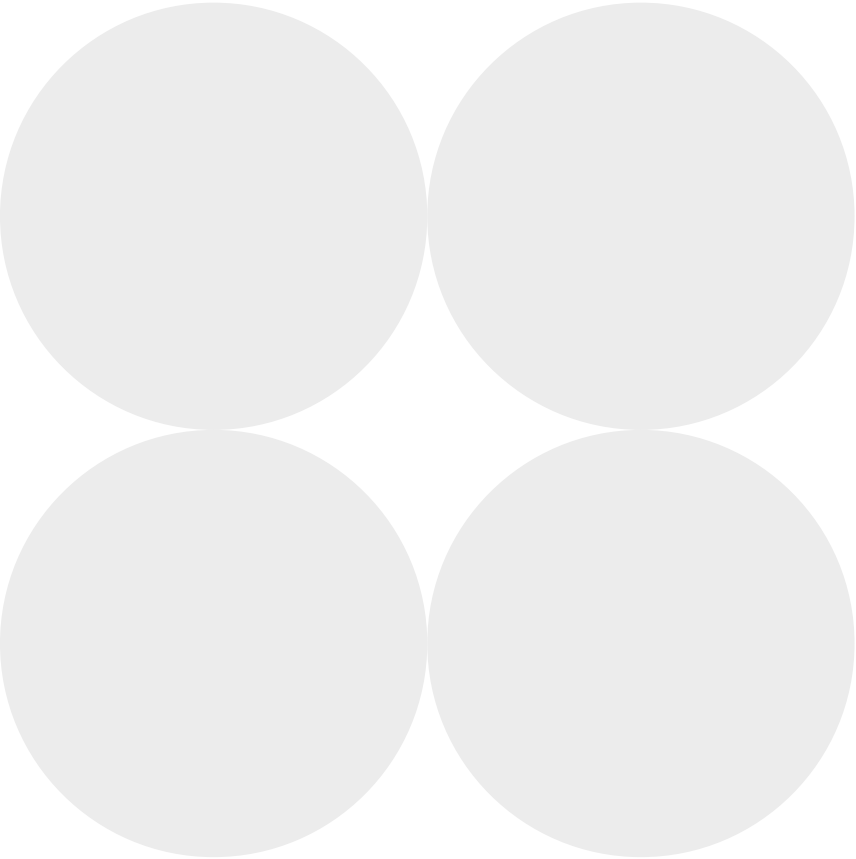


# Annual Procurement Report 2022–2023

December 2023





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<sup>2</sup> *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

# Introduction

The SEPA Annual Procurement Report Financial Year 2022-2023 meets the statutory duty of the Procurement Reform (Scotland) Act 2014 by detailing SEPA’s performance and progress during the financial year (FY) 2022-2023 in alignment with the SEPA Procurement Operating Plan 2021-2024 (our Corporate Procurement Strategy).

Our Procurement activity supports SEPA’s contribution to the Scottish Government’s National Performance Framework Outcomes and the United Nations Sustainable Development Goals, set out within Scotland’s National Performance Framework and our procurement activity is embedded 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.<sup>1</sup> Table 1 summarises SEPA’s key procurement statistics for the financial year 2022-2023.

Note: all figures in the Annual Procurement Report are exclusive of VAT at the current rate.

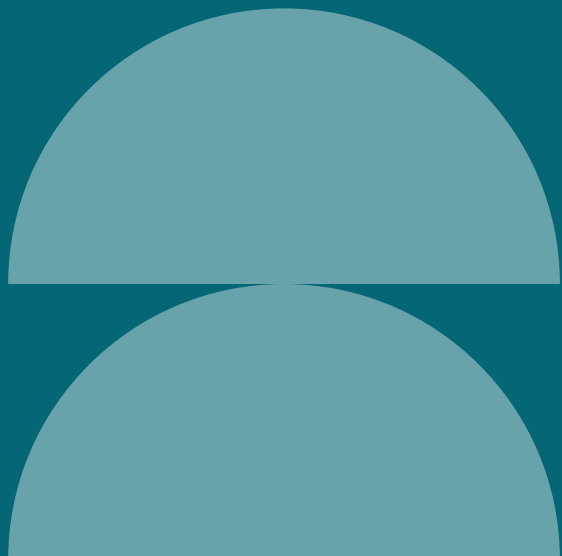
Table 1 - Key procurement management information

<b>Scottish procurement information Hub Dashboard (DXC Technology)</b>	<b>FY 2022-2023</b>
Total value of transactions reported	£19,707,137
Number of transactions (purchase orders)	6,132
Expenditure with Small and Medium-sized Enterprises	39.72%
Active supplier accounts in this period:	664
<b>Total number of invoices</b>	<b>6,167</b>

<sup>1</sup> The Scottish Procurement and Commercial Directorate of the Scottish Government commission an external body DXC Technology, to conduct an annual national spend analysis programme through the Scottish Procurement Information Hub. This is carried out by organisations submitting specific transactional data for the relevant financial year. As such, the data included in this report was verified and provided by DXC Technology.

# 1

## Summary of regulated procurement activity during the period



## 1.1 Background

The number of regulated procurements conducted in financial year (FY) 2022–2023 was 66% greater comparative to FY 2021–2022. 45 regulated procurements were conducted in FY 2022–2023 comparative to 27 conducted in FY 2021–2022. This was an extremely busy year for Procurement at SEPA and we capture our successes herein. We also show progress against our Procurement Strategy<sup>3</sup> and identify opportunities for improvement where appropriate.

## 1.2 Legal and 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 both domestic and international.
- The Scottish Government’s Procurement Journey (providing guidance on best practice).
- The Scottish Model of Procurement.
- The Scottish Government’s Sponsorship team instructions to SEPA.
- Scottish Procurement Policy Notes (SPPNs).
- SEPA Delegated Levels of Authority Policy.

- Regulated procurement activity.

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 was £8,612,549<sup>4</sup>.
- 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.

**“... (c) a summary of any community benefit requirements imposed as part of a regulated procurement that were fulfilled during the year covered by the report...”**

<sup>3</sup> Hereafter references to SEPA Procurement Strategy means reference to our Procurement Operating Plan 2021–2024.

<sup>6</sup> <sup>4</sup> Spend reflects ‘regulated spend’ which SEPA undertook in FY 2022–2023.

Procurement is required to consider whether to impose Community Benefit 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 2022-2023 no single procurement with a value greater than £4,000,000 was conducted by SEPA.

**“... (d) 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.

**“... (e) a summary of the regulated procurements the authority expects to commence in the next two financial years...”**

Annex 2 provides a summary of business area procurements to be conducted in next two financial years.

## 1.3 General duties under Procurement Reform (Scotland) Act 2014

### 1.3.1 Sustainable Procurement duty

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

The Sustainable Procurement Duty requires consideration of economic wellbeing, community and environment. What is commonly known as the triple bottom line.

Where proportionate and pragmatic the Scottish Government’s Sustainability Test is applied.

Our future sourcing 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.

### 1.3.2 Small and Medium-sized Enterprises (SME)

As part of the Scottish public sector, SEPA acknowledges it has a role in contributing to Scotland's economic success. While we do seek to leverage existing available framework agreements 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.

There was a 4.5% increase in relative expenditure year on year FY 2022-2023 comparative to FY 2021-2022. Expenditure with small and medium-sized enterprises (SMEs) FY 2022-2023 was 39.72% of overall expenditure comparative to 38% FY 2021-2022.

New dynamic IT frameworks such as the Scottish Government's Dynamic Purchasing System and the Crown Commercial Services G Cloud 13 allow for greater accessibility to the IT SME community.

The Procurement Team also consider opportunities for lotting requirements to allow access to the SME community. 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.

### 1.3.3 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. Our performance is outlined below.

- Within 10 days – 93%
- Within 30 days – 97%

## 1.4 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: [Contracts Register page](#).



# 2

## Achievements against SEPA Procurement Strategy



Our 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 four 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 on the next page.

## Aim 1: Supporting the development of a regenerative organisation

How will we deliver?	What will success look like?	Achievements thus far:
<p>Supporting effective decision making to drive down direct GHG emissions.</p> <p>Reducing supply chain greenhouse gas (GHG) emissions, water use, waste and materials use by:</p> <ul style="list-style-type: none"> <li>• Working with our suppliers to understand their impacts;</li> <li>• joint action planning;</li> <li>• more robust procurement processes.</li> </ul> <p>Improving governance for capital procurement.</p> <p>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.</p> <p>Avoiding compromise with other key objectives including Fair Work First and contracting with Supported Businesses.</p>	<p>All new contracts which have an impact on direct emissions will have Regenerative SEPA targets which align with our goal.</p> <p>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.</p> <p>A procurement roadmap is approved which supports the achievement of our 2030 Regenerative SEPA Goal.</p> <p>Our high impact contracts will contain a requirement for suppliers to work with us towards our Regenerative SEPA Goal.</p>	<p>The Sustainable Procurement Duty is applied in a proportionate and pragmatic manner to achieve the triple bottom line of community, environment and economy. Procurement actively promotes and supports a Regenerative SEPA.</p> <p>Within the procurement decision hierarchy, we assess the need to procure. Demand management enables a successful approach to effectively aligning business requirements in an environmentally friendly manner.</p> <p>Demand management was applied to multi-functional devices across SEPA with access restricted to SEPA employees. Going forward a Guidance Note on Demand Management will be published.</p> <p>SEPA guidance has been published on Sustainable Procurement in Construction. The Case Study on the Gateside Mills Weir Fish Barrier Removal is an example of reducing supply chain GHG emissions (refer to next page).</p>

## Case study: Gateside Mills Weir fish barrier removal

**WEF case officer: Lawrence Belleni**

### The project

SEPA directly commissioned the removal of a fish barrier on the River Eden in Gateside, Fife. The works involved deconstruction of the weir and installation of 80m step-pool river channel. The objective was to reopen 17.6km of catchment river length to native migratory fish.

### How did incorporating net zero come about?

- The principle of a sustainable approach was built into the earliest project stages by the case officer.
- Challenged and queried sustainability throughout the project development (design) for example by ensuring whole lifetime of the work was considered e.g. not just a 25 year term but a +100 year term. This helped justify full removal as the preferred option.
- Identified consultant had experience and willingness to use carbon calculator.
- Design consultant willing to support groundworks contractor in producing as-built carbon calculations.



Before – Gateside Mills fish barrier in January 2022



After – Gateside Mills fish barrier in September 2023

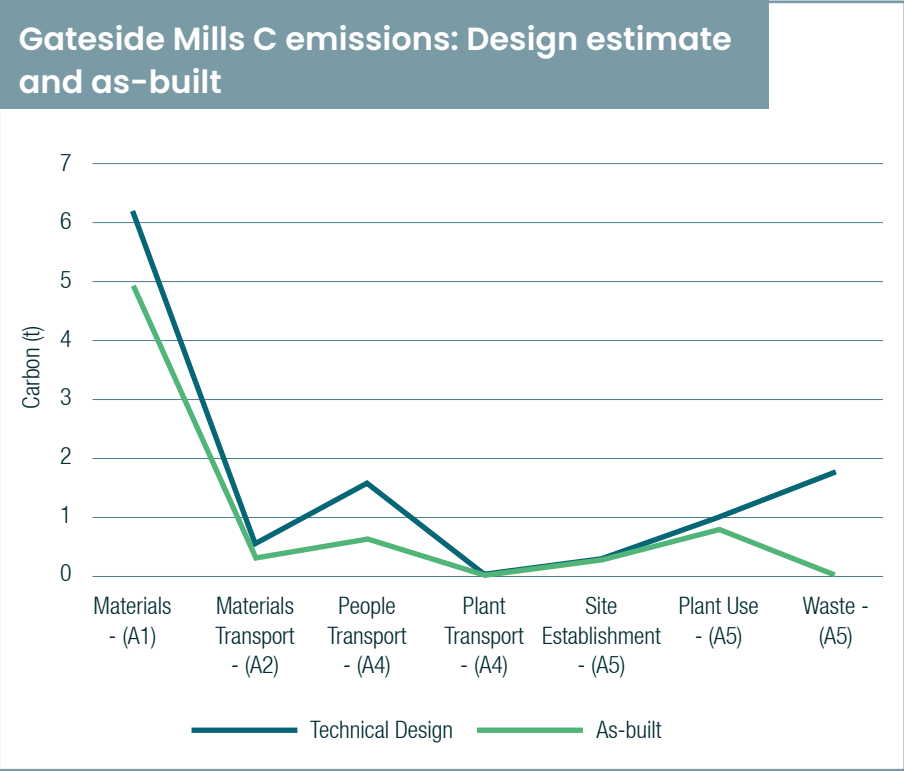
### What techniques were used?

- Lawrence used the Royal Institute of British Architects (RIBA) principles to set sustainability outcomes for project. The contract scope required sustainability strategies to be developed throughout design. This ensured the designer incorporated sustainability outcomes into design decisions.
- Circular economy principles embedded in work bringing carbon benefits e.g. limiting material imports to site and keeping work arisings and INNS on site.
- EA carbon calculator used at technical design and construction by suppliers. The post works ‘as built’ carbon calculation was compared with the technical design estimate.

### What was achieved?

- Full removal of barrier had strong sustainability justification when the whole life cycle of the fish passage solution was considered. Removal delivers indefinite fish passage at site.
- RIBA sustainability strategies approach ensured sustainability outcomes considered throughout design process and not a tick box exercise.

- Use of the EA carbon calculator was able to demonstrate a 39% reduction in carbon emissions from the end of design estimate of 11 tonnes carbon and the ‘as-built’ works value of 6.7 tonnes carbon. Sources of the emissions on the project and where reductions were made are shown in the graph below.



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

How will we deliver?	What will success look like?	Achievements thus far:
<p>Supporting effective and timely recovery from the cyber-attack.</p> <p>Ensuring the support our Procurement Team offer is well informed, agile, and dynamic.</p> <p>Evaluating, managing, and mitigating procurement and supply chain risk.</p> <p>Delivering innovative contracting approaches.</p> <p>Developing key commercial skills across the organisation through:</p> <ul style="list-style-type: none"> <li>• Further development of our training on Discover and other corporate learning platforms.</li> <li>• 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.</li> </ul>	<p>Procurement is considered as an option early in decision making.</p> <p>The Procurement Team are actively involved in key decision making across the organisation.</p> <p>Our staff have the commercial skills to be confident in their management of our suppliers.</p> <p>An increase in the £15k threshold for involving our Procurement Team in tendering exercises is feasible as competency across the organisation increases.</p>	<p>The Procurement Team have been flexible and resilient during financial year 2022-2023. There was a significant increase in the number of regulated procurements taken forward and contracts put in place by the Procurement Team. An increase in relative terms of 66% as against FY 2021-2022.</p> <p>SEPA Procurement have aligned sourcing processes to the Scottish Government Procurement Journey.</p> <p>Business benefits are realised through effective contract management. A SEPA Contract Management Training Pack was developed and published internally in November 2022. A Contract Management Plan was developed, and Contract Managers are now designated within a Contract Management Team approach.</p> <p>Self-service is now in place for car hire and business travel.</p>

## Aim 2: Supporting the development of a Phase 2 Environment Protection Agency (continued)

How will we deliver?	What will success look like?	Achievements thus far:
<ul style="list-style-type: none"> <li>• Coaching relevant colleagues to deliver robust contract management. Supporting our staff through coaching will ensure they experience practical learning.</li> <li>• Delivering effective and efficient self-service.</li> <li>• Feeding into the new Job Evaluation Scheme and System at the appropriate time to ensure commercial skills are recognised as an important part of people's roles.</li> <li>• Rightsizing the procurement function depending on the developing role of the team.</li> </ul>		

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

How will we deliver?	What will success look like?	Achievements thus far:
<p>Working with our suppliers to understand the risks and opportunities as they see them.</p> <p>Working with our suppliers to ensure effective contingency plans are in place for key risks.</p> <p>Assessing our supplier’s preparedness for the materialisation of developing risks such as cyber security and climate change.</p> <p>Playing an active role in developing key markets where there is limited competition and/or resilience.</p> <p>Working with the Scottish Supplier Development Programme (SDP) to reduce barriers to small and medium sized enterprises (SMEs) seeking to enter our supply chain.</p>	<p>Resilience and risk will be actively managed in our supply chain – reducing the likelihood and impact of future service disruption.</p> <p>Our supply chain will be fit for a Phase 2 Environment Protection Agency.</p>	<p>As with all organisations, SEPA is facing external supply chain risks. Significant risks include:</p> <ul style="list-style-type: none"> <li>• Higher energy costs.</li> <li>• Inflation.</li> <li>• Supply chain shortages.</li> <li>• Supplier workforce demographics and skill shortages.</li> <li>• The talent war with demand exceeding supply for key skills.</li> <li>• Geo-political considerations and international conflict.</li> <li>• Higher interest rates.</li> </ul> <p>Ongoing management of risks is essential. More effective planning with consideration of supplier lead times was conducted during FY 2022-2023 through applying a procurement pipeline approach with a red, amber, green (RAG) status tracker.</p>



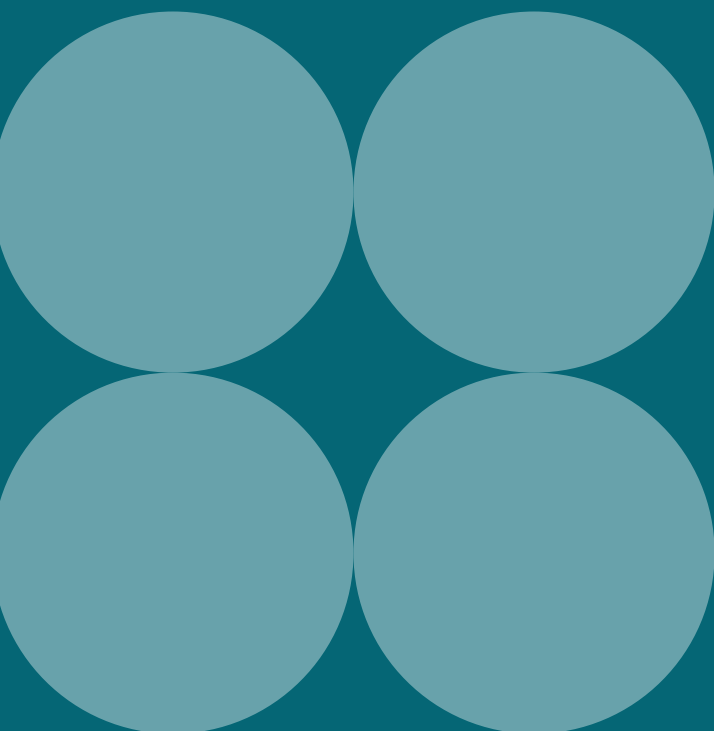
## Aim 4: Sector planning and supply chain management

How will we deliver?	What will success look like?	Achievements thus far:
<p>Identifying those sectors where the supply chain impacts are most significant.</p> <p>Working with the relevant sector leads and sponsors to support the effective articulation of supply chain risks and opportunities in the Sector Plan.</p> <p>Supporting our regulatory colleagues to understand the supply chain impacts of our regulated businesses.</p>	<p>Plans for those sectors with the most significant supply chain impacts will effectively consider those impacts.</p> <p>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.</p>	<p>Regular capital spend planning meetings have taken place to ensure mitigation of risk where appropriate. Going forward Tier 1, Tier 2 and Tier 3 suppliers will be identified to enable supply chain management. Tier 1 is the prime contractor. Tier 2 and Tier 3 are sub-contractors to the prime contractor. Sector plans are no longer used.</p> <p>SEPA have become an associate member of the Advanced Procurement for Universities and Colleges centre of procurement expertise. This has allowed access to contractual coverage across a number of sectors.</p>



# 3

## Future regulated procurement activity 2023-2024



A summary of the regulated procurements expected to commence in the next two financial years is categorised by business area and project expenditure. This can be subject to change due to budgets and prioritisation (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 flexible manner.

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, to deliver best value for money and ensure compliance with the legal and regulatory frameworks within which we operate.



# 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 as 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 2023-2024 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 collaboration and SEPA contracts.

**Table 2 – Value for money savings in financial year 2022-2023**

Contract category	Contracted spend	% of contract spend
Total contract spend	£11,211,418	
Cash savings	£317,840	3%

## This concludes SEPA's 2022–2023 Annual Procurement Report

December 2023

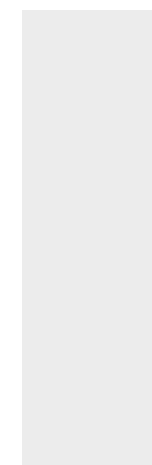
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## **Annex 1**

# Regulated procurements completed in FY 2022–2023

## SEPA's regulated procurements completed in 2022-2023 per portfolio

### Compliance and Beyond

Please note a wide range of regulated procurements were conducted during financial Year 2022-2023. The contracts put in place have varying contractual time frames. The total value for multi-year agreements / longer term contract arrangements has been published.

Description	Value (Ex. VAT)
Ad-hoc environmental radioactivity monitoring	£100,000
HVAS maintenance and provision and replacement of air filters	£160,000
Environmental radioactivity monitoring programme	£2,009,172
<b>Total</b>	<b>£2,269,172</b>

### Evidence and Flooding

Description	Value (Ex. VAT)
Bathing water signs: civil engineering infrastructure VMS	£120,000
Digital data licence for DIGMapGB-50	£89,973
Tuflow modeller licenses, S&M	£53,065
WISKI Cloud 2022-2023	£192,290
Purchase of Cisco 9300 switches and associated licences	£500,000
Technical assurance, SharePoint and adoption	£107,142
Website rebuild	£150,000
Centrifugal filters for COVID19 microbiology wastewater sampling for Scottish Government 2022-2023	£64,445

## Evidence and Flooding (continued)

Description	Value (Ex. VAT)
Lenovo think system for back-up server solution	£77,145
Corporate travel services Relet	£200,000
Stack emission monitoring programme	£480,000
Supply of FIDAS 200 dust monitors	£56,891
Gauging station rebuilds (Brockhoperig & Ancrum)	£110,041
HP laptops (replacement programme G3)	£170,889
Purchase of air quality analysers S02	£51,000
Cisco nexus core network device replacement	£124,548
LIMS support and maintenance 2023-2024	£52,905
The provision of laboratory gases	£80,000
Tipping bucket rain gauges	£70,000
Provision of mobile voice and data services - Scottish single supplier FA call off	£357,478
VBUC license & support, Lot 10 RM3808 network services call off	£548,568
Spotfire software annual support and maintenance 2023-2024	£85,005
Panasonic toughbook's tablets	£60,068
Purchase of Apple iPads 4G 64gb	£83,286
MATLAB software license renewal and upgrade to licence	£51,331
Digital Network Architecture Centre (DNAC)	£72,197
Azure 3-year reserved instances pre payment 6QK-00001	£56,562
<b>Total</b>	<b>£3,814,961</b>

## People and Property

Description	Value (Ex. VAT)
Postal services hybrid mail	£75,000
Fleet replacement vehicles - small vans	£68,694
Cycle to Work Scheme	£90,000
Psychometric testing service for HR	£50,000
Hydrometry 4x4's	£61,917
<b>Total</b>	<b>£315,611</b>

## Finance

Description	Value (Ex. VAT)
Agresso support contract	£360,000
Audit Scotland Fees 2023-2024	£50,000
<b>Total</b>	<b>£410,000</b>

## Internal services

Description	Value (Ex. VAT)
Keystream digital delivery	£1,112,000
<b>Total</b>	<b>£1,112,000</b>

## CEO

Description	Value (Ex. VAT)
Parliamentary monitoring services	£53,820
Offsite storage of documents etc	£63,000
<b>Total</b>	<b>£116,820</b>

## Circular Economy

Description	Value (Ex. VAT)
Provision and management of air sampling network	£67,131
Bronie Burn works (Water Environment Fund)	£155,014
Gateside Mills – works (Water Environment Fund)	£168,507
DRS media campaign July 2022	£83,333
National waste quality checking service framework	£100,000
<b>Total</b>	<b>£573,985</b>

## Total regulated procurements completed in 2022–2023

Description	Value (Ex. VAT)
<b>Overall total</b>	<b>£8,612,549</b>





## **Annex 2**

Summary of business area procurements to be conducted in the next two financial years

Refer to our externally published [contracts register](#) for specific contracts coming to an end whereby procurements will require to be conducted. Business specific procurements as required will be conducted for the business services below to meet future business requirements.

Hydrology
IT and IS services
Regulatory services
Property and Facilities
Training and Development
Recruitment services
Compliance
Evidence and Flooding
Circular Economy
Finance
Media
Communications









For the future of our environment

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