
ANNUAL PROCUREMENT REPORT: FINANCIAL YEAR 2022-23

Purpose

1. This paper provides details of the procurement spend for the SFC during the Financial Year (FY) 2022-23 and assurance that our procurement activity is conducted in accordance with the requirements of the Procurement Section of the Scottish Public Finance Manual. Details are given of any non-compliance with legislative or SFC's own procurement policies. SFC's refreshed procurement strategy is annexed for information.

Recommendations

2. The Audit and Compliance Committee is invited **to note** the contents of the report.

Financial implications

3. There are no cost implications arising from this paper that are not already allowed for within the SFC's budget.

Risk assessment

4. SFC procurement spend is very low and our procurement policies and procedures ensure we conform with the procurement practices in the Procurement Reform (Scotland) Act 2014.

Impact assessments

Equality and diversity

5. There are no equality and diversity issues associated with this paper.

Island communities

6. There are no Island communities issues associated with this paper.

Carbon reduction

7. SFC procurement policies and procedures capture Net Zero and Carbon reduction requirements, to ensure these are considered in all procurement decisions.

Publication

8. This paper will be published on the SFC website in edited format as it includes information which – if disclosed – could be prejudicial to the SFC’s commercial interests under the Freedom of Information (Scotland) Act 2002, Section 33.

Further information

9. Contact: Jude Thomson, Payment & Procurement, email: jthomson@sfc.ac.uk, and Tiffany Ritchie, Deputy Director Finance & Operations, email: tritchie@sfc.ac.uk.

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Procurement Report

11. SFC is not required under the Procurement Reform (Scotland) Act 2014 to publish a procurement report as procurement spend is below the regulated procurement spend reporting limit of £5m or more (excluding VAT) in any financial year.
12. SFC has a low value of procurement spend. Our running cost spend for FY 2022-23 was £11m of which £3m (27%) was the procurement of goods and services. We ensure we comply with statutory requirements for procurement practices to achieve value for money when buying goods and services through taking advantage of the nationally negotiated government contracts. SFC procurement policies guide staff to make use of existing government framework agreements and contracts where possible. In the absence of a framework agreement or contract, staff advertise contract opportunities on the Public Contracts Scotland (PCS) portal. A summary of our procurement spend is given in Annex 1.
13. Non-compliant spend comprises expenditure with suppliers who are not on our contract register. Of the £3m procurement spend, over 80% was with the "top 19" suppliers and represented compliant spend. An analysis is given in Annex 1.
14. The non-compliant spend is split between single suppliers and situations whereby the final spend value with a contractor exceeded the original estimate of below £5,000. In the case of single supplier contracts, there is no issue of concern for procurement. We also continue to operate strict controls around the use of the "government procurement card", on which there remains minimal spend.
15. We are required under the Procurement Reform (Scotland) Act 2014 to consider the wider social benefits arising from public procurement. We do this by:
 - Promoting fair work practices, including the Real Living Wage through Fair Work First.

- Encouraging a diverse range of suppliers including SMEs, the third sector and supported businesses.
 - Contracting, where possible, suppliers who have signed up for the Scottish Business Pledge.
16. Whilst we endeavor to meet the requirements of the Act, there is more we could do. We continue to have the support of Supply Chain Management Group for technical advice and assurance on procurement, including around our digital transformation programme. We are also still working closely with the Scottish Government and our Procurement Cluster Group to keep abreast of the changing environment and embed best practice through the sharing of knowledge and encourage partnership working.

Conclusion

17. SFC continues to have low value procurement spend and we adhere to our financial procedures when undertaking procurement spend. There is a very limited amount of non-compliant spend which we plan to bring on to contracts where possible.

Recommendations

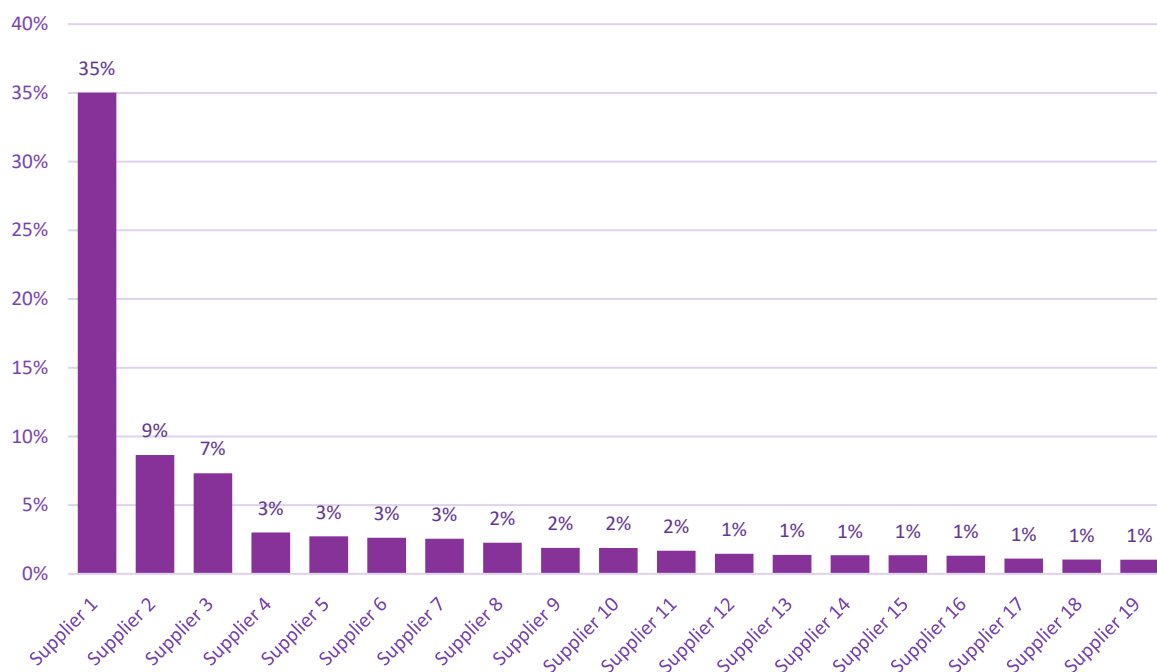
18. The Audit and Compliance Committee is invited **to note** the contents of the report.

Annex 1: Analysis of procurement spend

SFC’s procurement spend

1. The annual SFC for spend on supplies and service is circa £3m. The main areas of spend change depending on organisational priorities, and may not necessarily recur.
2. SFC had 115 discrete suppliers in FY 2022-23 in nine main spend categories.
3. In FY 2022-23, 80% of SFC’s spend was with the “top 19” suppliers. A further 17% was spent with 37 suppliers with spend over £5k, the remaining 3% of spend with 59 suppliers for spend under £5k.

FY2022-23 Distribution of SFC procurement spend



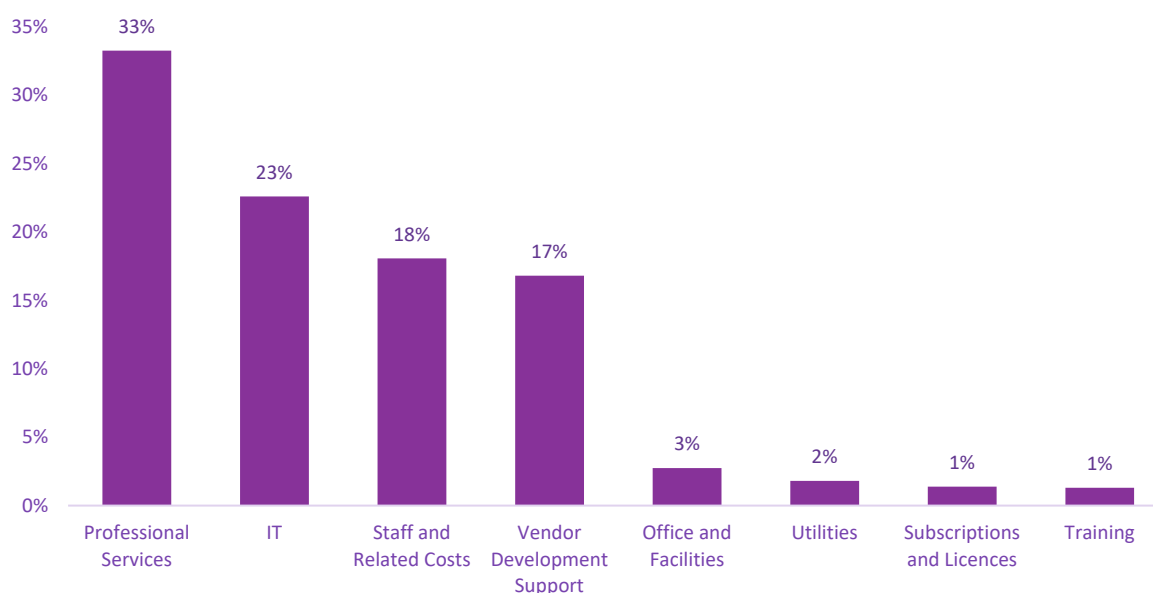
4. SFC make use of collaborative procurement and framework agreements where possible, as shown below:

#	Supplier	Spend %	Procurement Route	Compliant
1	Supplier 1	35%	Framework	Y
2	Supplier 2	9%	Framework	Y
3	Supplier 3	7%	Framework	Y
4	Supplier 4	3%	Framework	Y
5	Supplier 5	3%	Audit Work	Y

#	Supplier	Spend %	Procurement Route	Compliant
6	Supplier 6	3%	Framework	Y
7	Supplier 7	3%	Seconded Staff	Y
8	Supplier 8	2%	Audit Fee	Y
9	Supplier 9	2%	Framework	Y
10	Supplier 10	2%	Commissioned	Y
11	Supplier 11	2%	Non-Competitive Award	Y
12	Supplier 12	1%	Framework	Y
13	Supplier 13	1%	Framework	Y
14	Supplier 14	1%	PCS	Y
15	Supplier 15	1%	PCS	Y
16	Supplier 16	1%	Framework	Y
17	Supplier 17	1%	Framework	Y
18	Supplier 18	1%	Framework	Y
19	Supplier 19	1%	Framework	Y
	Total	80%		

- Five spend categories account for over 90% of total spend. This includes: Professional Services, Information & Communications Technology, Non payroll and related staff costs, Vendor Development, Office and Estate.
- The spend on professional services and IT illustrates the wide range of specialist support SFC require and the focus on the Digital Transformation project as well as the use of agency staff and seconded staff. This is illustrated in the graph and table below:

FY2022-23 SFC procurement spend by category



#	Category	Spend £'000	Suppliers
1	Professional Services	980	18
2	IT	666	36
3	Staff and Related Costs	533	58
4	Vendor Development Support	495	8
5	Office and Facilities	81	32
6	Utilities	53	13
7	Subscriptions and Licences	41	5
8	Training	38	30
9	Misc	28	31
	Totals	2,916	115*

*Suppliers provide services in more than one Spend Category versus 143 discrete suppliers in 2022/23.

- 7. Our different spend categories can be illustrated as follows to include spend by category, number of suppliers in each category and risk. There is a clear pattern and concentration of the highest spend and the minority of suppliers in four specific mission critical areas of Professional Services, IT, Vendor Development and Staff. Staff costs include services and non-payroll seconded and agency staff.

