Annual Procurement Report 2016/17

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Approved by:
Resources Committee: 12 September 2017

1.0   INTRODUCTION

The Care Inspectorate and SSSC published a joint Procurement Strategy in 2016. This strategy covers the period 2016 to 2019 and is designed to take a responsible and sustainable approach to procurement.   The strategy has the following key priorities:

1. Achieve value for money
2. Deliver sustainable procurement
3. Raise the level of procurement knowledge, skills and expertise
4. Provide timely performance information
5. Achieve the benefits derived from collaborative working
6. Strengthen contract and supplier management processes
7. Provide an excellent procurement service appropriate and suitable for the size of our organisation.

The purpose of this report is to record and publish the Care Inspectorate's procurement performance and achievements in delivering its procurement strategy.

2.0   KEY PRIORITIES

2.1   Achieve Value for Money

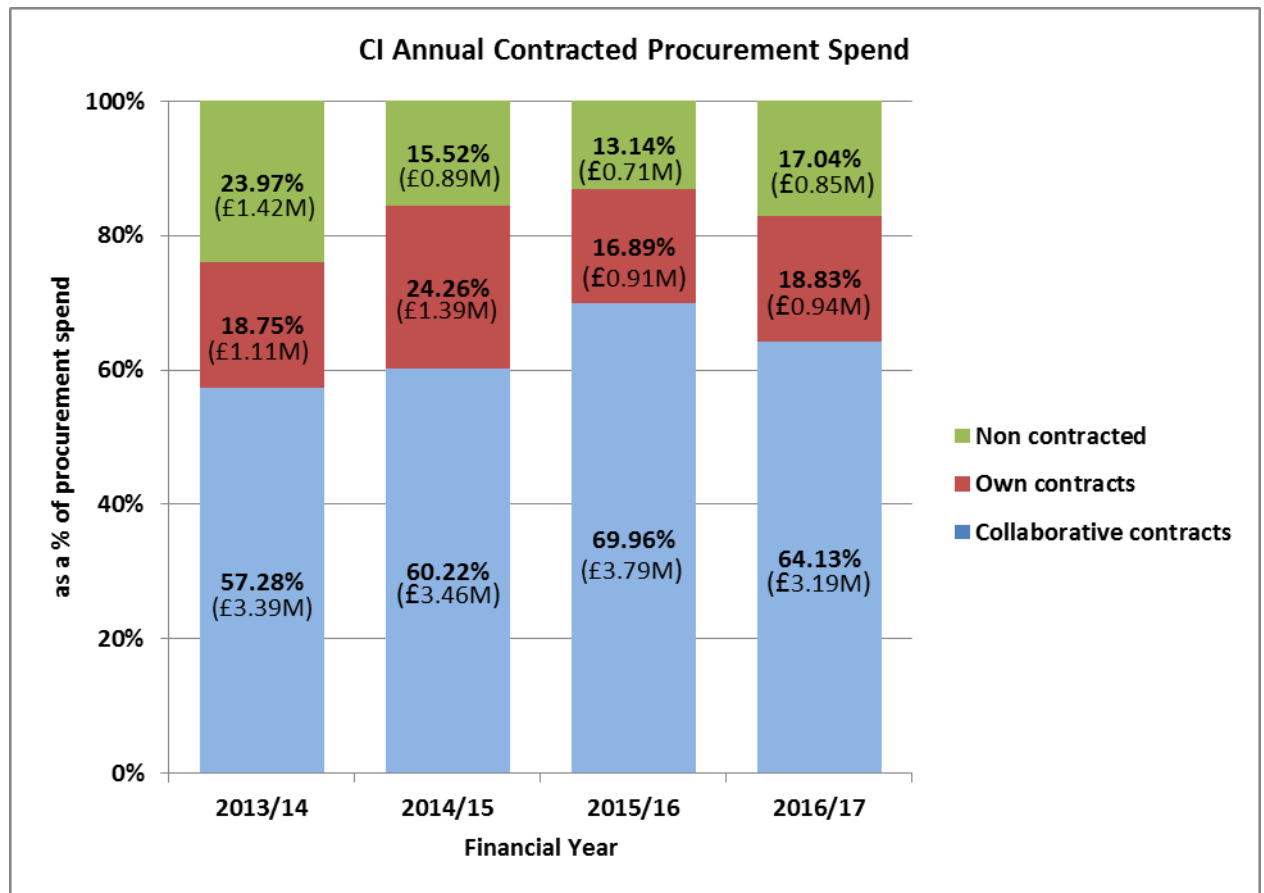Procurement spend subject to procurement legislation and procedures excludes the following:

- Payroll and pension data expenditure
- Internal spend - i.e. 'spend' or cross charging between departments
- All direct payments to Her Majesty's Revenue and Customs
- Rent
- Rates
- Shared services

To ensure value for money is achieved in our procurement activity, we have introduced a process where sourcing strategies are prepared for all standard tenders.

The table below shows the value and volume of procurement activity for the year to 31 March 2017:

Table 1: Value and Volume Summary	2015/16	2016/17
Total Spend	£8,698,622	£8,977,305
Total Procurement Spend	£5,413,984	£4,976,460
Total Invoice Value	£8,951,797	£9,116,441
Number of Invoices	3,466	3,473
Number of Suppliers Paid	727	736
Average Invoice Value	£2,583	£2,625

The analysis of procurement spend between spend on collaborative framework and spend on organisation owned contracts and frameworks is as follows:

CI Annual Contracted Procurement Spend

Financial Year	Non contracted	Own contracts	Collaborative contracts
2013/14	23.97% (£1.42M)	18.75% (£1.11M)	57.28% (£3.39M)
2014/15	15.52% (£0.89M)	24.26% (£1.39M)	60.22% (£3.46M)
2015/16	13.14% (£0.71M)	16.89% (£0.91M)	69.96% (£3.79M)
2016/17	17.04% (£0.85M)	18.83% (£0.94M)	64.13% (£3.19M)

As can be seen from the analysis above, contract spend represents 83% of procurement spend. The proportion of spend classified as non contract represents spend with suppliers who are not on our published contracts register. An analysis of this spend is provided in 2.1.2.

2.1.1   Collaborative procurement

We use collaborative frameworks wherever possible and only tender for our own procurement where there is not a suitable framework in place. Spend on collaborative procurement continues to represent the highest value of procurement spend. During the year we have undertaken mini-competitions or called off of frameworks with the following contract or framework owners:

- Scottish Procurement
- Crown Commercial Services
- Audit Scotland
- HMRC
- Pro 5

Where possible, we collaborate with the Scottish Social Services Council (SSSC) in the award of contracts.

2.1.2   Non contracted spend

Non contracted procurement spend comprises expenditure with suppliers who are

not on our published contracts register.

The increase in percentage of non contracted spend is temporary and is mainly due to the following:

1. The mobile telephony contract was extended beyond the initial contract period to allow participation in a collaborative contract that Scottish Government was leading on. The timescales were longer than anticipated, however, it is expected the savings and benefits from this collaborative process will be greater than any that we could have secured undertaking a non collaborative approach.
2. The contract for wide area network services extended beyond the initial contract period whilst these services were migrated to the Scottish Wide Area Network (SWAN) contract. The migration of these services is largely complete.

An analysis of non-contracted spend is as follows:

Description	Value (£000)	%age
Total non contracted spend	**852**	**100%**
Less spend < £1k therefore procurement compliant	(101)	(12)%
	751	88%
Spend now regularised (mainly fixed telephony)	(450)	(53)%
Spend being regularised (mainly mobile telephony & storage & archiving)	(237)	(28)%
Non recurring spend which should have been subject to procurement process	(38)	(4)%
Spend which will be regularised at end of current lease period (car lease)	(24)	(3)%
Low value catering where procurement options are being explored	(2)	(0)%
Total unidentified spend	**0**	**0%**

The highest value of this spend relates to legacy contracts where the position has been, or is now being, regularised. A significant reduction of non-contracted spend is expected for future reporting years.

2.1.3 Contract benefits realised.

Reported procurement savings have been calculated following the 'Procurement Benefits Reporting Guidance' which was developed for the Scottish Public Sector.

Savings totalling £283k have been realised from procurement during the year. This comprises £220k cash savings and £63k non cash savings. This is a decrease of £205k (27%) from savings realised in 2015/16. The decrease is mainly due to 2015/16 reported savings from contracts which have now expired.

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Sustainability benefits realised during the year are detailed in 2.2.

2.1.4   Summary of procurement activity 2016/17

We are committed to making public procurement open and accessible to businesses, especially small and medium sized enterprises (SMEs), the third sector and supported businesses. All tender opportunities greater than £10,000 are advertised on the Public Contracts Scotland (PCS) advertising portal and in the Official Journal of the European Union where required. We also publish our contract register on PCS.

The PCS portal has a 'Quick Quote' facility which is a proportionate process to request and receive quotes for lower value goods and services and for goods and services which are competitively advertised using collaborative framework suppliers.

The following summarises the tenders which were advertised on PCS and shows that most of the Care Inspectorate's procurements are below the OJEU threshold.
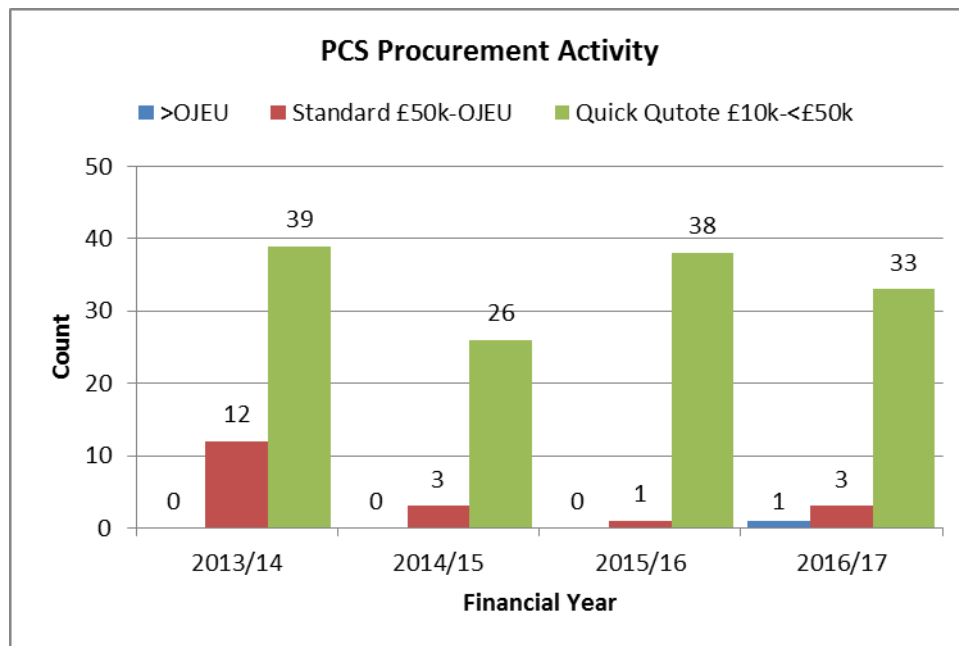
An analysis of regulated procurement completed during the year is as attached as Annex 1 to this report follows:

2.1.5   Forward procurement plan

In order to promote wider participation in the Care Inspectorate's procurement process, a two year plan of our procurement activity will be published. This plan gives notice to suppliers of future opportunities and is attached as Annex 2 to this report. This plan provides the following information:

- the subject matter
- whether it is a new, extended or re-let procurement
- the expected contract notice publication date
- expected award date
- expected start date

- the estimated value of the contract

2.1.6 Electronic purchasing card (formerly GPC) spend

Purchasing and payment by electronic purchasing card is encouraged when paying for low value, high volume goods and services. There were 975 transactions totalling 152,720 using this method in 2016/17 with an average transaction value of £156.36.

The value of spend is consistent with that reported in 2015/16 (£154,927), although the average transaction value increased by 20%.

2.1.7 Invoice analysis

A total of 3,466 invoices, totalling £9.1m in value were processed during the year. The following tables shows the profile of these invoices by volume and value.
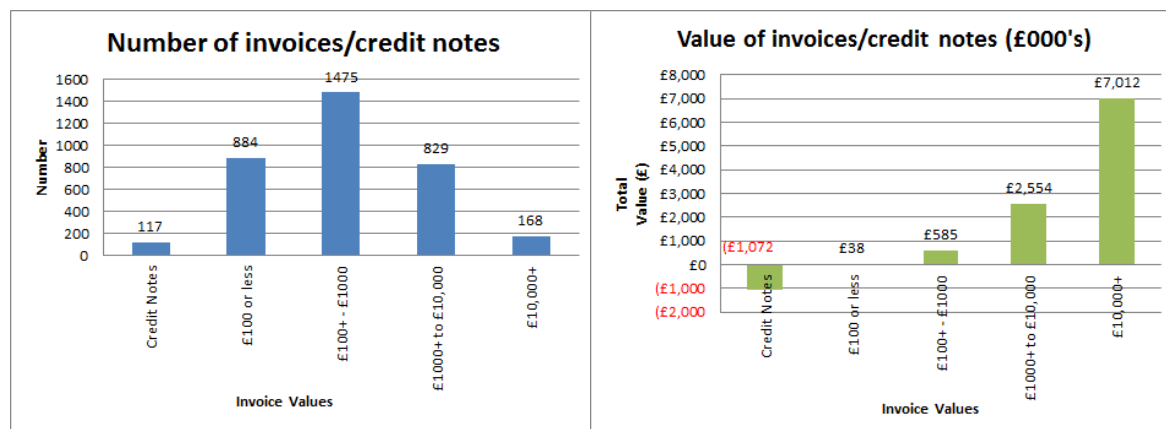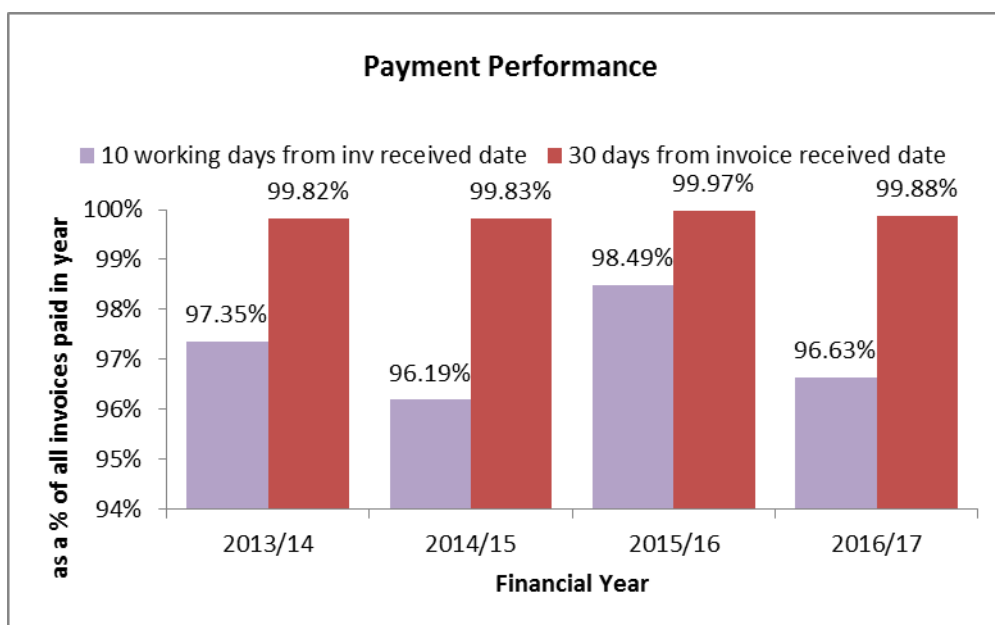

We continue to explore opportunities for consolidated invoicing, where savings are realised from the reduction in volume of invoices processed. However, the volume of low value invoices has remained broadly similar to last financial year. It is hoped the migration to a new postal services supplier will mean a reduction in low value invoices next financial year.

2.2 DELIVER SUSTAINABLE PROCUREMENT

The Care Inspectorate has a duty to comply with the sustainable procurement duty as detailed in the Procurement Reform (Scotland) Act 2014. The procurement strategy details our sustainability priorities and our progress towards achieving those are outlined in 2.2.1 to 2.2.6.

2.2.1 Prompt payment to suppliers

We are committed to paying our suppliers promptly and payment performance continues to be maintained at a high level. 99.88% of suppliers were paid within 30 days of the invoice received date, and 96.63% paid within the Scottish Government's target of 10 days. The following shows payment performance for the financial years 2013/14 to 2016/17.

Payment Performance

- 10 working days from inv received date
- 30 days from invoice received date

2013/14: 97.35%, 99.82%
2014/15: 96.19%, 99.83%
2015/16: 98.49%, 99.97%
2016/17: 96.63%, 99.88%

(y-axis: as a % of all invoices paid in year; x-axis: Financial Year)

2.2.2 Paying the living wage through our regulated procurement

We promote fair work practices in all of our tender documentation and are committed to promoting the use of the Scottish Living Wage. During the year we have awarded the following contracts where the supplier's staff work on Care Inspectorate premises and the suppliers have committed to paying the Scottish Living Wage:

1. Security Services (awarded contract value £500k)
2. Cleaning & Associated Services (awarded contract value £472k)

We have also awarded the following contracts where the suppliers have agreed to pay either the Scottish Living Wage or the Living Wage:

1. Snow clearing & gritting services (awarded contract value £34k)
2. Physical activity improvement programme (awarded contract value £6k)
3. Portable appliance testing (awarded contract value £30k)
4. Film & animation services (call-off contract value £17k)
5. Fixed telephony services (call-off contract value £450k).

2.2.3 Community benefits

We promote the use of community benefits within procurement exercises where they are relevant and proportionate to the contact. Whilst we have not had any contracts exceeding £4m in value, we have awarded a call-off contract from the Scottish Government's framework for fixed telephony. As part of the overarching framework, the fixed telephony provider has agreed to provide active apprenticeship and graduate recruitment scheme for roles such as telephone engineer and sales personnel. This is a new contract and the delivery of these benefits will be reported on in 2017/18.

2.2.4 SME's local businesses, supported businesses and the third sector

During the year we have continued to address sustainability in procurement. A directory of supported business has been communicated to all staff and is published on the Care Inspectorate intranet. This directory provides supported business supplier names, contact details including website links and a summary of goods and services provided by each supported business.

We also invited key staff with procurement responsibility to attend a presentation on supported business and third sector which was delivered by 'Ready for Business'.

We awarded two contracts to supported businesses during the year for replacement signs and ICT equipment disposal. Spend during the year on these contracts was £2k. Whilst this appears low in value, the ICT equipment disposal contract provides benefits to the supplier from the onward disposal proceeds. We have also explored the award of courier services directly with social enterprises during the year.

We have further developed our procurement documentation to capture spend with SME's, social enterprises and third sector suppliers. Our annual spend with SMEs is £1.4m, representing 16% of our total spend and 20% of our procurement spend. This is broadly similar to the position reported for 2015/16.

	(%) 2015/16	(£) 2015/16	(%) 2016/17	(£) 2016/17
Total Spend to SMEs	19%	1,636,203	16%	1,403,870
Procurement Spend to SMEs	22%	1,180,836	20%	1,019,590
Contracted Spend to SMEs	19%	887,467	21%	884,964

2.2.5 Fair and ethical trading

Our standard procurement procedures involve assessing a bidder's suitability to be awarded the contract. This process includes considering whether the bidder has been convicted of certain offences or committed any acts of professional misconduct while running their business. There were no tenders where mandatory or discretionary grounds for exclusion were applied.

Our standard terms and conditions allow us to end a contract if the contractor or subcontractor fails to keep to their legal duties in the areas of environmental, social or employment law when carrying out that contract.

2.2.6 Other sustainability developments

We measured our performance against sustainability criteria in the Scottish Government's Flexible Framework assessment tool and have developed and implemented an action plan to further improve our assessment score.

We have worked with Ready for Business and Sustainable Procurement to look at opportunities to address sustainability using the Sustainability Prioritisation Tool. Feedback from this collaboration has informed the development of our procurement processes and guidance.

We have also implemented a sustainability tracking tool where we capture sustainability benefits in our procurement activity for both the Care Inspectorate and SSSC. For 2016/17 the Care Inspectorate and SSSC awarded 23 contracts and 6 call-off contracts where the following social, environmental and economic benefits were realised :

Social Benefits	• Supplier diversity • Social Inclusion • Equality & human rights
Environmental Benefits	• Emissions • Energy use • Raw materials • Habitat • Waste
Economic	• Competeveness

These benefits relate to regulated and lower value contracts. The sustainability benefits realised from regulated procurement are noted in Annex 1.

2.3   RAISE THE LEVEL OF PROCUREMENT KNOWLEDGE, SKILLS AND EXPERTISE

The Care Inspectorate continues to invest in ensuring our staff are equipped with the right tools and experience in order to discharge their procurement duties effectively and efficiently. A central procurement training register is maintained by the Procurement Team.

We worked with Central Government Procurement Shared Service (CGPSS) to deliver 6 training sessions throughout the year where the level of interest from staff was very positive:

- Two sessions of contract management and supplier awareness training – June 2016.
- Regulated procurement training (procurement over £50k) delivered in November 2016.
- Commercial awareness training (procurement under £50K) delivered in November 2016.
- Specification writing delivered in March 2017.
- Technical evaluation delivered in March 2017.

Key procurement staff completed a training course on the 'Changes to Scotland's Public Procurement Legislation'. This was delivered by an e-learning tool, followed up with face to face training.

Informal training is provided on an on-going basis by the Procurement Team.

All staff with delegated authority to commit or approve expenditure have undertaken procurement fraud training. This training was developed by the Chartered Institute of Purchasing and Supply and was co-ordinated in conjunction with the Scottish Government's Procurement Capability Team. Procurement

fraud is further supported by the Care Inspectorate's Prevention of Fraud Policy which outlines where fraud may occur, who is responsible for reporting fraudulent activity and who to report it to.

Procurement continues to form part of the induction that new staff undertake when they join the Care Inspectorate.

2.4 PROVIDE TIMELY PERFORMANCE INFORMATION

The Procurement Development Group (PDG) was established in 2011 to provide an opportunity where key procurers within the Care Inspectorate and SSSC can discuss best practice, new developments and procurement plans with a specific aim of developing and improving the organisations' procurement capability and the effectiveness of our internal processes. The PDG inform the development of our internal procedures and reporting requirements, both internally and to Scottish Government.

A set of agreed performance measures are reported to this group bi-annually where progress against targets is reviewed and solutions are provided for further improvement.

This report on annual performance is also presented to this group, the respective Executive Management Teams of the Care Inspectorate and SSSC and both Resources Committees. Feedback from this report will be incorporated into the 2017/18 procurement action plan where required.

Outwith the above, any areas of concern are reported to the relevant management team as they occur.

2.5 ACHIEVE THE BENEFITS DERIVED FROM COLLABORATIVE WORKING

As can be seen from the information reported in 2.1, we continue to use collaborative frameworks where available and continue to explore opportunities for collaboration through CGPSS and our membership of our Procurement Cluster Group.

Our relationships with CGPSS and the procurement cluster group facilitate the sharing of knowledge and encourage partnership working to ensure we deliver value for money and pool resources and expertise.

Savings of £250k, representing 89% of our total procurement savings, have been realised from the use of collaborative frameworks.

2.6 STRENGTHEN CONTRACT AND SUPPLIER MANAGEMENT PROCESSES

As noted in 2.3, contract management training has been delivered to all staff with responsibility for managing contracts. This training provides staff with the tools and techniques required to better manage their contracts and suppliers.

Contract managers are appointed for all relevant contracts and contract management meetings are held regularly for all key contracts. Supplier performance on key contracts is managed effectively to deliver value for money.

The procurement team collate contract management information bi-annually and maintain a central record of this which is linked to the contract register.

Contract and supplier management was assessed as 'green' by the healthcheck undertaken by the Scottish Government's Procurement Capability Team in November 2016.
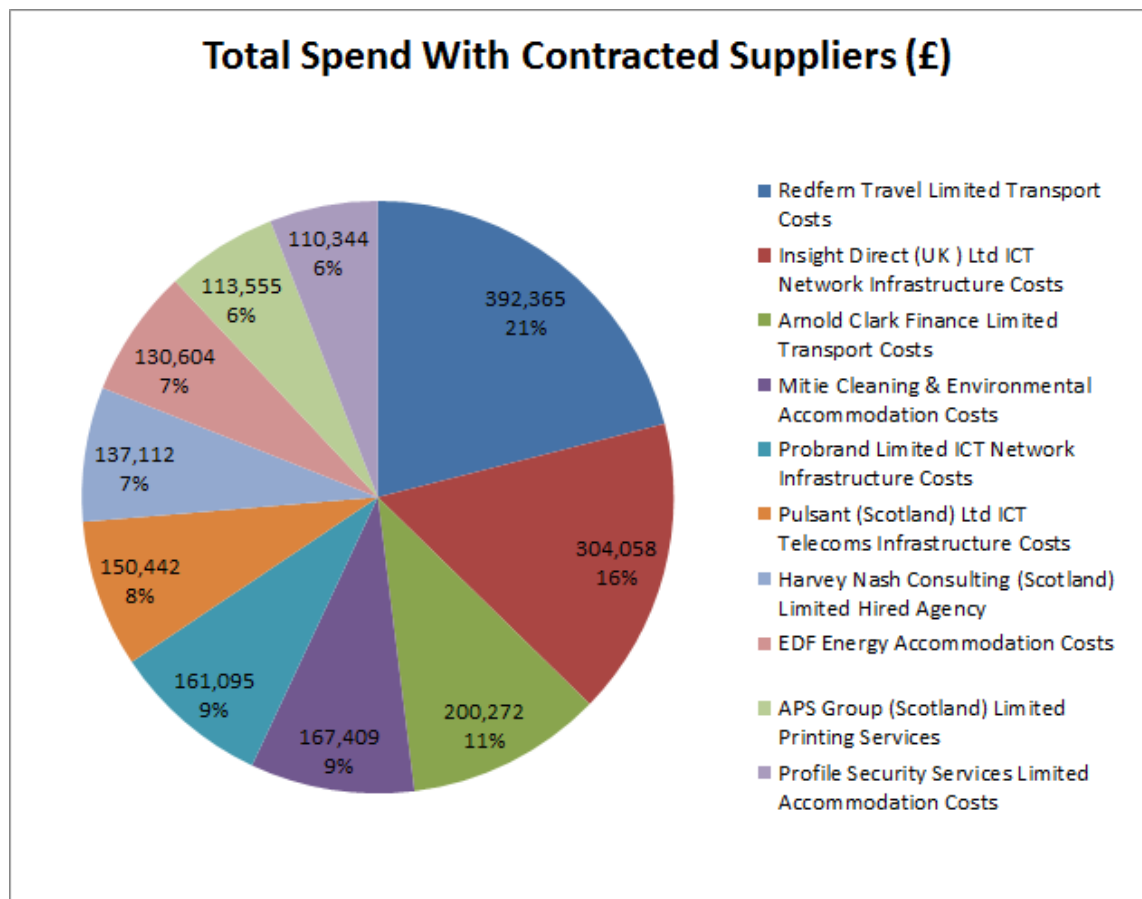
2.7   PROVIDE AN EXCELLENT PROCUREMENT SERVICE APPROPRIATE AND SUITABLE FOR THE SIZE OF ORGANISATION

The procurement business processes are reviewed by the Procurement Team on a cyclical basis ensuring all processes are reviewed annually. This review ensures they reflect current legislation and meet the needs of the users. A number of processes have, and continue to be, amended and developed to support the changing procurement landscape.

The success of the service delivery is informed by the independent 'healthcheck', regular feedback from users of the procurement service and a customer survey which is distributed every two years. This feedback and follow-up action contributes to ensuring that the right level and quality of service is being delivered.

3.0   TOP 10 CONTRACTED SUPPLIERS

Together the top 10 suppliers account for 38% (2015/16: 38%) of our total procurement spend, and 45% (2014/15: 44%) of our contracted spend.

Total Spend With Contracted Suppliers (£)

- Redfern Travel Limited Transport Costs — 392,365 — 21%
- Insight Direct (UK) Ltd ICT Network Infrastructure Costs — 304,058 — 16%
- Arnold Clark Finance Limited Transport Costs — 200,272 — 11%
- Mitie Cleaning & Environmental Accommodation Costs — 167,409 — 9%
- Probrand Limited ICT Network Infrastructure Costs — 161,095 — 9%
- Pulsant (Scotland) Ltd ICT Telecoms Infrastructure Costs — 150,442 — 8%
- Harvey Nash Consulting (Scotland) Limited Hired Agency — 137,112 — 7%
- EDF Energy Accommodation Costs — 130,604 — 7%
- APS Group (Scotland) Limited Printing Services — 113,555 — 6%
- Profile Security Services Limited Accommodation Costs — 110,344 — 6%

The top 10 contracted suppliers provide goods and services across the following categories of expenditure:

Spend Category	Spend Value £000
Transport	593
ICT Network Infrastructure	465
Accommodation	408
ICT Telecoms Infrastructure	150
Hired Agency Staff	137
Printing Services	114
Total	**1,867**

4.0 SUPPLIER ACTIVITY

The Procurement Team review active suppliers quarterly, with the aim being to ensure only suppliers we do regular business with are set up in the creditors' ledger. Suppliers who have not been used for a period of 13 months are made 'inactive' and any request to use them requires completion of a procurement template to ensure procurement procedures are being complied with. Only when this has been undertaken can new suppliers be created or inactive suppliers updated to 'active' status. This ensures current contract arrangements have been analysed to ensure we are buying from a contract wherever possible. This is also good practice to mitigate the risk of purchasing or supplier fraud.

The number of active suppliers as at 31 March 2017 was 312 (2015/16: 316). Of those there were 228 supplier sites for the supply of goods or services and 104 supplier sites for reimbursing inspection volunteers for travel and subsistence expenses (2015/16: 225 suppliers, 91 inspection volunteers).

5.0 CONCLUSION

The Care Inspectorate is making good progress towards the achievement of the published procurement priorities and the procurement action plan which supports the procurement strategy has been updated to reflect current priorities. The implementation of this plan should support continued development in procurement.

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Glossary

Non contracted	Spend not linked to a formal contract which is recorded on the contract register
Own contracts	Contracts advertised and awarded by the Care Inspectorate
Collaborative Frameworks	A collaborative framework is a framework which has been awarded to meet the needs of a number of public sector organisations.
Public Contracts Scotland (OCS)	Public procurement advertising portal where contract notices and awards are published.
Scottish Living Wage	Scottish wage calculated to be sufficient to provide the necessities and comforts essential to an acceptable standard of living. Applies to all workers over the age of 18.
Living Wage	National minimum wage for workers aged over 25
Community Benefits	Contractual requirements which deliver a wider social benefit in addition to the core purpose of the contract. In particular, requirements in relation to targeted training and employment outcomes.
Procurement Cluster Group	Group of Scottish Public Sector bodies of differing sizes who meet to discuss best practice, new developments and procurement plans. This facilitates the development of procurement capability within the Scottish Public sector.
CGPSS	Scottish Government Central Government Procurement Shared Service

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