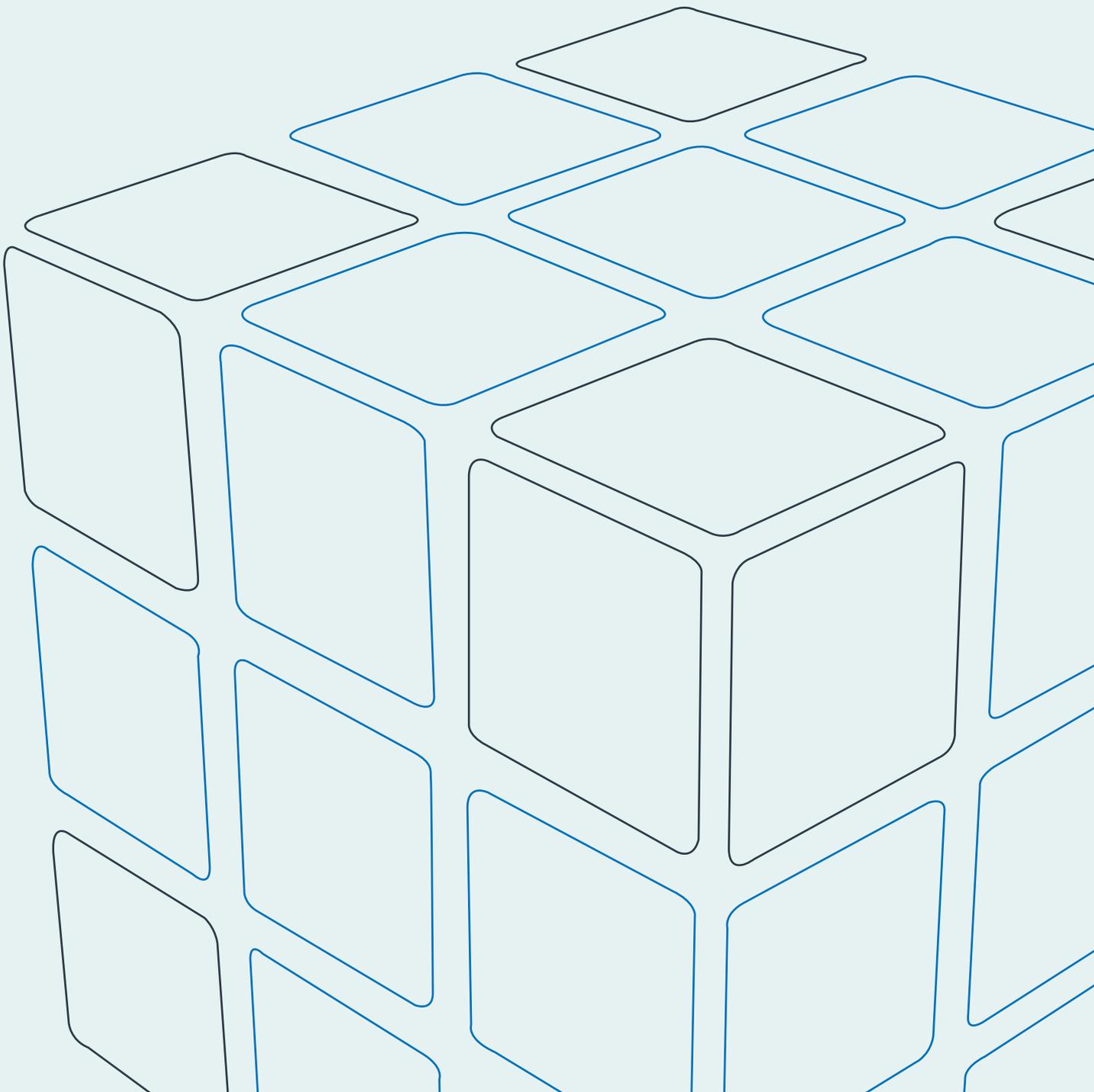




Scottish Government
Riaghaltas na h-Alba
gov.scot

Annual report on procurement activity in Scotland

2019





Laid before the Scottish Parliament by the Scottish Ministers under Section 21(4)(b) of the Procurement Reform (Scotland) Act 2014

April/2019

SG/2019/18

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Ministerial foreword

With procurement spending across the public sector in Scotland running in excess of £11 billion a year, procurement is a powerful tool helping us shape and deliver our ambitions for an inclusive society where the benefits of economic prosperity are shared.

The fundamental role of public procurement lies in the goods, services and works that we buy. Put simply, it is about ensuring that suppliers to the public sector deliver the right things at the right time. And that the goods, services and works we buy support the delivery of public services that are high quality, continually improving, efficient and responsive to local people's needs.

However, the full power of procurement is our ability to lever this spend in the pursuit of sustainable and inclusive economic growth with outcomes that are good for businesses and their employees, good for society and good for places and communities. And, in delivering our ambition, it is important that we remain open and connected with the communities we serve.

We have done much already to improve public procurement in Scotland and over the last few years we have delivered considerable successes. Yet we cannot afford to stand still. We must continue to look well beyond traditional savings and efficiency to harness the full power of procurement in the pursuit of sustainable and inclusive economic growth.

We must continue opening up opportunities for businesses of all sizes and types to compete for public sector work. We must seek to build-in community benefits that are high quality and add value, for example creating opportunities for people from priority groups including jobs, apprenticeships for our young people, work experience and training opportunities.

It's also about ensuring those that do business with the public sector are responsible businesses and fair employers, and engage in responsible business practices.

That is what sustainable procurement is about – and the concepts of business friendly and socially responsible procurement which are the hallmarks of our work to date remain fundamental to how we do business.

We have made strides on improving transparency of public procurement in Scotland. For example, we have made it easier to access and review public procurement information through an open contracting area on Public Contracts Scotland. I am also delighted to see the number of public bodies that have published an annual procurement report last year. Not only those required to do so by the Procurement Reform (Scotland) Act 2014, but also those choosing to do so as a matter of good practice.

We now need to build on those steps taken by many Scottish public bodies in publishing their first annual procurement reports. It is vital that we identify and share good practice, that we learn from one another, that we tackle areas where we know we can and need to improve to deliver on our ambition, and that we remain committed to the continuous improvement of public procurement in Scotland.

It is also important for those with an interest in doing business with the public sector to take advantage of our progressive approach to public procurement, using the tools we have provided to help them identify potential opportunities and understanding what we expect from our suppliers as responsible and fair employers and key partners in delivering our ambition.

By continuing to think creatively about how we collectively deliver maximum value for Scotland, by making our procurement spending decisions work harder and more effectively, by delivering social, environmental and economic benefits, which impact on people and places, we want to ensure that prosperity is shared more equally across all of Scottish society.

Derek Mackay
Cabinet Secretary for Finance,
Economy and Fair Work

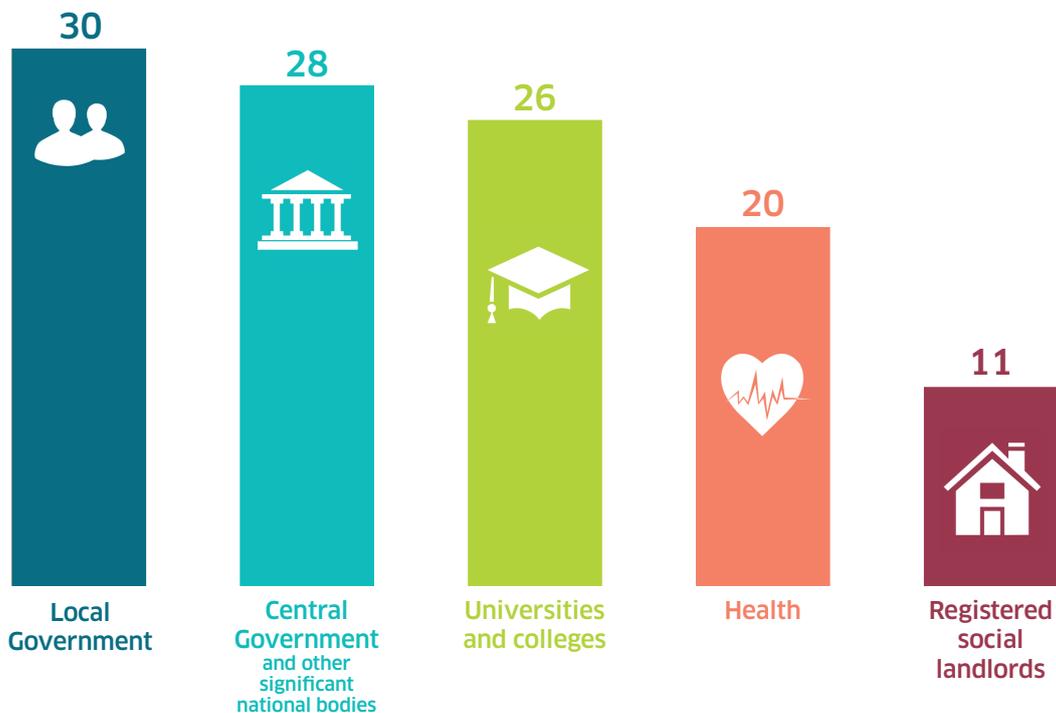
1. Introduction

This document is the first annual report by Scottish Ministers on the procurement activity of higher spending public bodies in Scotland. It is required under the **Procurement Reform (Scotland) Act 2014** (“the 2014 Act”). It also meets a commitment within our **Programme for Government for 2018/19** to publish a report on the public procurement activity of more than 100 Scottish public bodies. The report focuses mainly on that procurement

activity including specific activity contributing to the use of community benefit requirements, and payment of the real Living Wage.

This first report provides an overview of the information taken from the 115 annual procurement reports¹ published last year by public bodies² in Scotland (figure 1 below shows a breakdown of annual procurement reports published across the public sector).

Figure 1: Number of annual procurement reports published by sector



1 The first reporting period for public bodies was longer than one full financial year. Not all public bodies observe the same financial year.
2 Throughout this document, we refer to 'public bodies' as short-hand for all organisations which are subject to public procurement laws. This includes central government, local government, universities and colleges, health bodies and registered social landlords.

While individual annual procurement reports must meet legislative requirements set by the 2014 Act, these also describe the organisational aims and objectives of individual public bodies. This means that there is some necessary variation in the content of those reports and this is reflected in this overview report.

This report is also informed by other data taken from, for example, Public Contracts Scotland (the national advertising website for public sector contract opportunities in Scotland) and from the Scottish Procurement Information Hub (a tool that enables over 100 Scottish public bodies to examine procurement spend by analysing accounts payable data).

Overall, the purpose of this first Scottish Ministers' report is to provide an overview of procurement activity by public bodies across Scotland. It will not touch on all areas where public procurement can have an impact, but it will support increased transparency and visibility of public procurements. It should also help to inform any further activity needed to continue to maximise public procurement's contribution to sustainable and inclusive economic growth.

Scottish public procurement rules and scope of this report

Public procurement is the term we use to describe how Scottish public bodies set up and manage contracts, suppliers and supply chains to deliver goods, services and works. This can include goods like books and computers, services like health and social care, and catering, and works like building roads and hospitals.

The 2014 Act forms part of the public procurement legislation that governs how Scottish public bodies buy their goods, services or works. It places a small number of general duties on public bodies regarding their procurement activities and some specific measures aimed at promoting good, transparent and consistent practice in procurement. It also places some administrative requirements on higher spending public bodies to publish procurement strategies and annual procurement reports, which will aid visibility of the purchasing activities of these bodies and how they will meet their sustainable procurement duties.

One of the things that the 2014 Act requires us to do is to prepare an overview report. This Report must include information summarising:

- regulated procurement activity across Scotland by higher spending public bodies including the Scottish Government
- community benefit requirements that those public bodies considered fulfilled
- steps taken to facilitate the involvement of supported businesses in regulated procurements

A regulated procurement is any procedure carried out by a public body in relation to the award of a proposed contract with an estimated value of £50,000 and above for goods and services and of £2 million and above for works.

2. Highlights

Good for the economy

£10bn



Public procurement spend generates around **£10 billion of economic activity for Scotland**, contributing **£6 billion to Scottish Gross Domestic Product (GDP)**, supporting around **100,000 full time equivalent jobs**.

20,700

Over **20,700 businesses in Scotland**, approximately **19,500 (94%) of which were SMEs**, directly benefitted from **2016-17 spend in Scotland**, with many more businesses indirectly benefiting within our supply chains.



Good for businesses and their employees

15,400



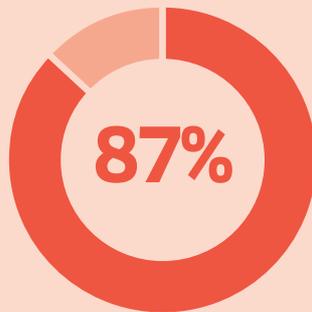
There were **15,400 new public sector contract opportunities advertised** in 2017-18.

5,700



Individual annual procurement reports show that **over 5,700 regulated contracts were awarded** with a total estimated value of over **£11 billion**.

87% of suppliers awarded onto collaborative agreements for the Scottish public sector and local government sector will pay the real Living Wage (78% of these suppliers are SMEs).



Three out of four suppliers awarded contracts in Scotland in 2017-18 were SMEs.



60 pence of every pound spent with a Scottish supplier in 2017-18 went to an SME.



Good for places and communities

£11bn



More than **£11 billion worth of spend on goods, services and works supporting the delivery of public services** that touch on many aspects of everyday life and benefit communities across Scotland.

x10



A **ten-fold increase in the number of contract notices with community benefit requirements** between 2015-16 and 2017-18.

3. Public procurement in Scotland and key strategic priorities

The Scottish public sector spends over £11 billion³ a year buying goods, works and services. Through improvements to what we buy and how we buy, public contracts can help to support our shared purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.

This is underpinned by the **National Performance Framework**, by **Scotland's Economic Strategy** and our annual **Programme for Government** which sets out our plan for policy delivery and legislation over the next year. The whole of the public sector in Scotland is expected to contribute to the Purpose. Public bodies are now working towards shared goals which are defined in terms of benefit to the people of Scotland rather than simple efficient service delivery.

Figure 2: National Performance Framework



³ Figures based on spend data from over 100 Scottish public bodies and on suppliers that have been classed as commercial organisations or as non-trade social care providers and with which individual public bodies have spent over £1000 in aggregate in a 12 month period.

To meet this expectation the sustainable procurement duty has been aligned with the National Performance Framework.

The **sustainable procurement duty tools** reflect the National Performance Framework and provide a structured approach to what public bodies buy. They help to identify opportunities to include economic, social and environmental considerations in contracts and show how procurement activity across Scotland contributes to the National Outcomes. Compliance with the sustainable procurement duty is the mechanism through which public procurement contributes to and tracks its contribution to the Scottish Government's Purpose and priorities.

Key priorities are defined in Scotland's Economic Strategy as:

- promoting inclusive growth and creating opportunity through a fair and inclusive jobs market and regional cohesion
- investment in our people and our infrastructure in a sustainable way
- fostering a culture of innovation and research and development
- promoting Scotland on the international stage to boost our trade and investment, influence and networks

We design our contract and procurement processes to contribute to these priorities as far as is practical and in a way that achieves value for money and makes contracts accessible to businesses, including Small and Medium Enterprises (SMEs), the third sector and supported businesses.

There has been a substantial programme of activity across the public sector in Scotland to help improve public procurement since 2006. We have moved from a centrally led programme to a more collaborative landscape with a shared common vision, underpinned by the 2014 Act. That Act provides clear direction to public bodies and sets out clear procurement responsibilities and accountabilities, promoting local decision making.

4. Summary of public procurement activity in Scotland

With procurement spending across the public sector in Scotland running in excess of £11 billion a year, procurement is a powerful tool making a significant contribution to Scotland's economy

It is estimated⁴ that procurement spending⁵ by the Scottish public sector generated around £10 billion of economic activity⁶ in the wider Scottish economy. It supported around 100,000 Full-Time Equivalent (FTE) jobs (around 70,000 directly).

The impacts of Scottish public sector procurement spend on the Scottish output, GDP and FTE employment represents around 4% of the total Scottish economy.

What this means is that the value and benefits of goods, services and works procured in Scotland by the Scottish public sector represents a sizeable part of the Scottish economy. To give an idea of the scale of these impacts, the number of jobs supported by Scottish public sector procurement spend is on a par with employment in the whole of the City of Dundee⁷, or with the number of people employed in the Financial and Insurance Activities sector⁸.

4 Using the latest Scottish Government Input-Output Model of the economy.

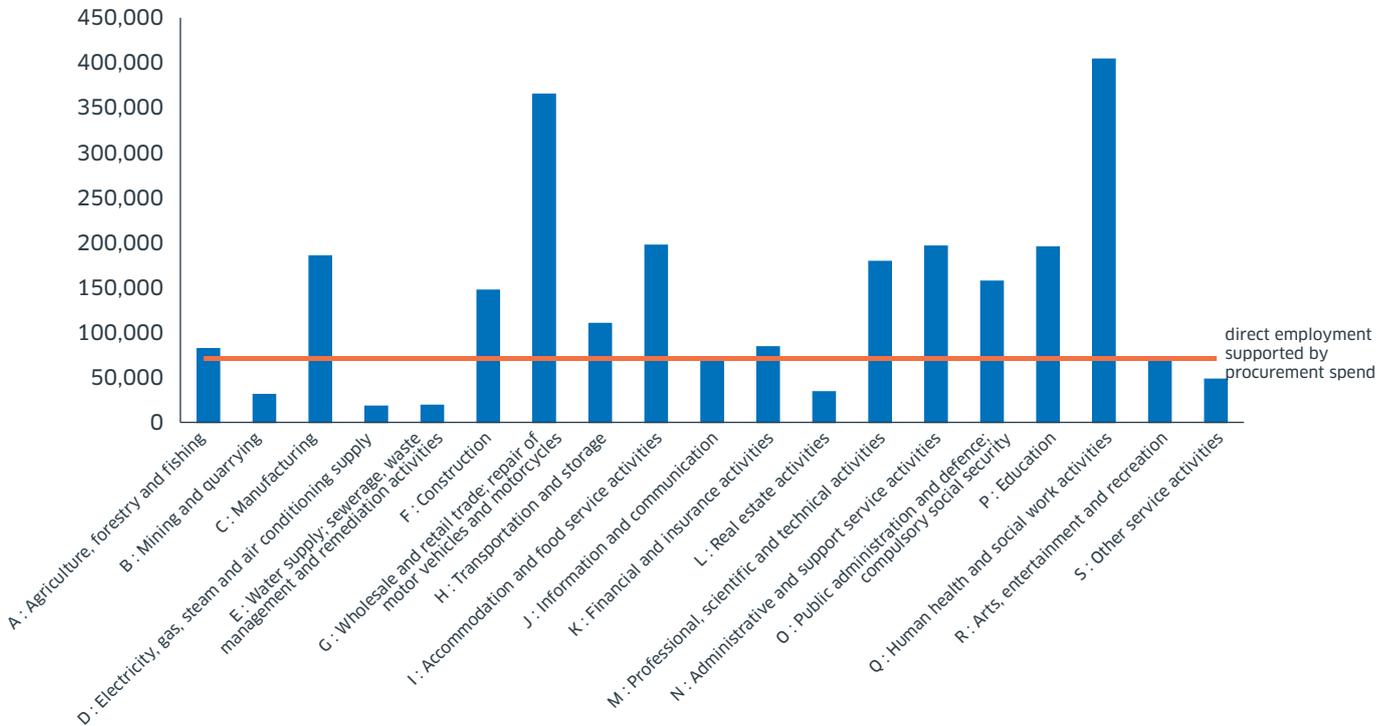
5 Based on £11.6 billion spend in 2016-17 net of VAT (before tax).

6 'Economic activity' refers to total output and the impacts relate to the Scottish Economy only, therefore the imports from the rest of the UK and the rest of the world are disregarded. These figures include direct, indirect and induced effects. If there is an increase in **final use** for a particular industry output, we can assume that there will be an increase in the output of that industry, as producers react to meet the increased use; this is the **direct effect**. As these producers increase their output, there will also be an increase in use on their suppliers and so on down the supply chain; this is the **indirect effect**. As a result of the direct and indirect effects the level of household income throughout the economy will increase as a result of increased employment. A proportion of this increased income will be re-spent on final goods and services: this is the **induced effect**.

7 Dundee City employment: 77,000 (BRES, 2017 figure).

8 Financial and Insurance Activities employment: 84,000 (BRES, 2017 figure).

Figure 3: Employment by Sector (BRES 2017)



Summary of regulated procurements

Information taken from the 115 annual procurement reports submitted by public bodies across Scotland during the period covered by this report shows the level of public procurement activity and spend on goods, works and services.

In total, 5,782 regulated⁹ contracts were awarded by the 115 public bodies during the period covered by this report. The total combined value of regulated contracts awarded, where this is known from the individual annual reports, was £11.2 billion¹⁰. This is different to spend figures, which will include spend on contracts placed prior to the timeframe reported by public bodies.

⁹ In a few cases, it is not clear whether the figures provided include regulated and non-regulated contracts, or only regulated contracts. In these instances, we have included the data provided for completeness.
¹⁰ This includes collaborative agreements and Dynamic Purchasing Systems awarded within the timeframe.

Type of contracts

Examples of the types of regulated procurements carried out by public bodies in different sectors are described below:

- In the health sector – primary healthcare, laundry, vehicles, IT hardware, software and support, property maintenance, health promotion initiatives, construction of new hospitals and facilities, and medical supplies and equipment such as medicines, x-ray units, dental equipment, surgical tools and microscopes
- In local government bodies – residential care for children, social care, processing of recyclable waste, public transport, event management, homeless accommodation, library books, property maintenance, new-build housing and roads maintenance
- Among Registered Social Landlords – new build housing, gas heating servicing and maintenance, painting, cleaning, landscaping, furniture, electricity supply, floorcoverings and IT services
- Among central government and other significant national bodies¹¹ – IT software, hardware and support, printing and publishing, interpretation and translation, office equipment, clothing, vehicles, mobile phones, employability services, laboratory equipment and property maintenance
- For universities and colleges – student travel services, scientific equipment, IT systems, insurance, catering services, virtual classroom software, property maintenance, refurbishment and construction, banking services, childcare and internet provision

The diverse scope of the goods, services and works procured by public bodies across Scotland further underlines the reach of public procurement.

By publishing a summary of regulated procurements completed within their annual procurement reports, public bodies in Scotland are building on work already undertaken to improve transparency and visibility. For example, the 2014 Act required public bodies in Scotland to have a published contracts register in place by April 2016. Our legislation pre-empted a communication¹² by the European Commission published in 2017 in which it strongly recommended setting up publically accessible contracts registers. This is an example of why Scotland is seen as a role model by other countries.

Procurement spend data

An analysis of procurement spend data is helpful in understanding the scope and reach of public procurement in Scotland. For example, over 20,700 businesses in Scotland directly benefited from our procurement spend, approximately 19,500 (94%) of which were SMEs, with many more businesses indirectly benefiting within our supply chains.

¹¹ Including Scottish Government, Executive agencies, Executive Non-Departmental Public Bodies, Public corporations and Non-Ministerial Offices.

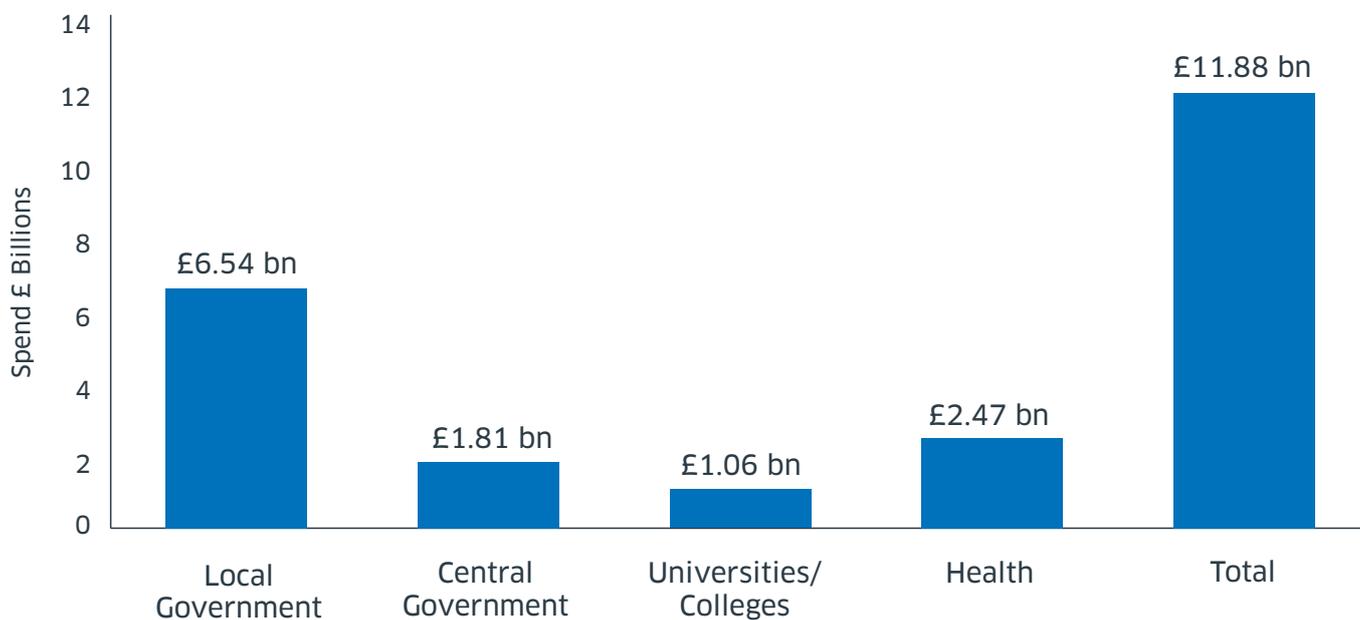
¹² [‘Making Public Procurement work in and for Europe’ – COM\(2017\) 572 final](#)

Spend by sector

The latest data on procurement spend shows that spend by local government accounts for 55% of all spend recorded on the Scottish

Procurement Information Hub¹³. The proportion of spend by sector has remained fairly consistent since 2015.

Figure 4: Public sector spend (by sector) 2017-18



¹³ Scottish Procurement Information Hub is an online tool that allows over 100 Scottish public bodies to examine spend by analysing Accounts Payable data. Spend is that which is with suppliers that have been classed as commercial organisations or as non-trade social care providers and with whom individual public bodies have spent over £1,000 in aggregate in a 12 month period. The Hub does not include spend data for Registered Social Landlords.

Spend with suppliers in Scotland by category

Figure 5 describes the category (e.g. construction) spend by public bodies with suppliers in Scotland. Overall these figures have remained broadly consistent from 2015 to 2018. Some notable changes are spend on construction falling by 4.7% and spend on

social care and services rising by 21.7% (figure 5). Spend on waste and environmental services has also increased by 26.1% and spend on businesses in the financial sector has also seen a sharp rise of 37.5% although overall spend remains relatively low.

Figure 5: Spend with suppliers in Scotland by category

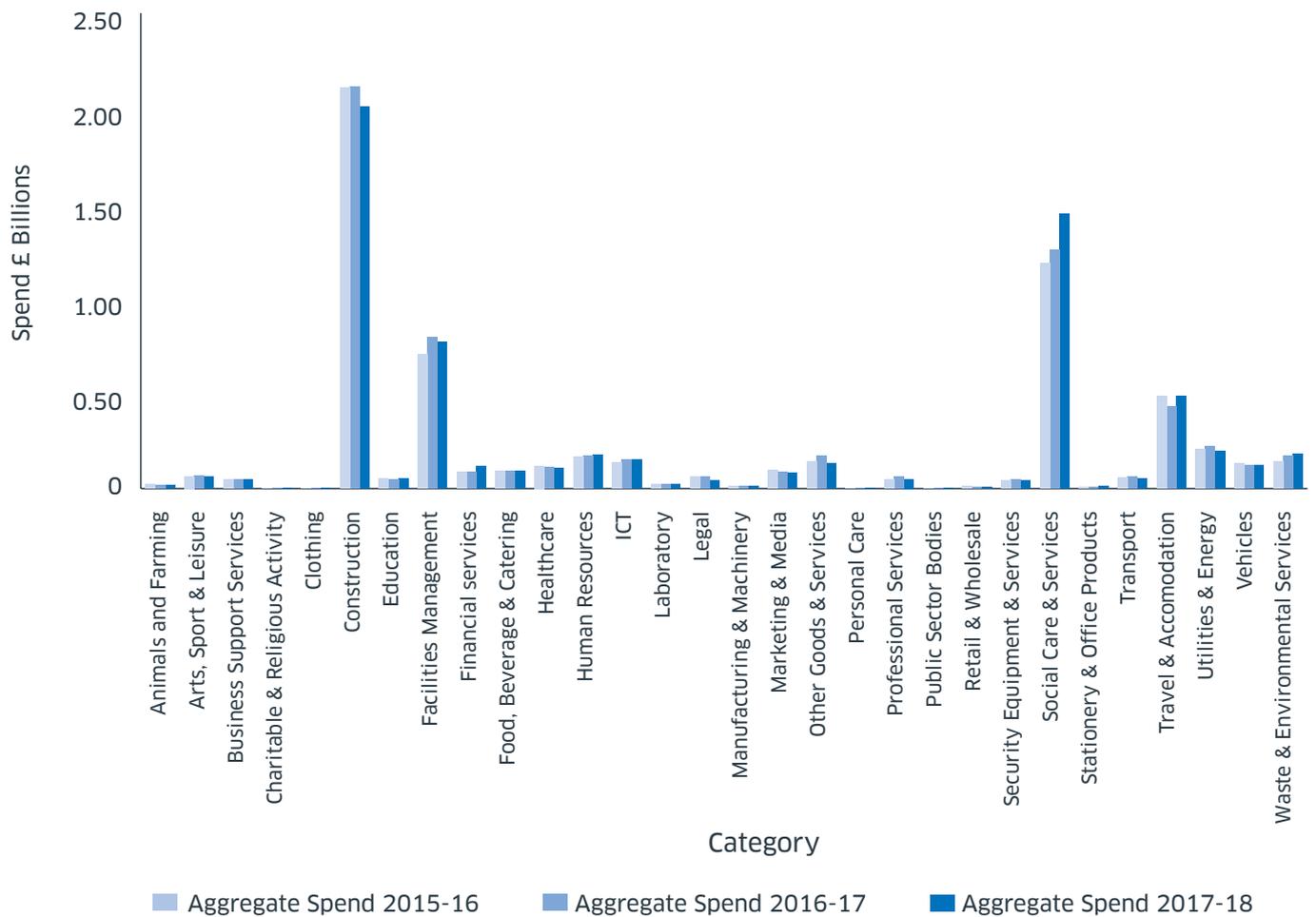
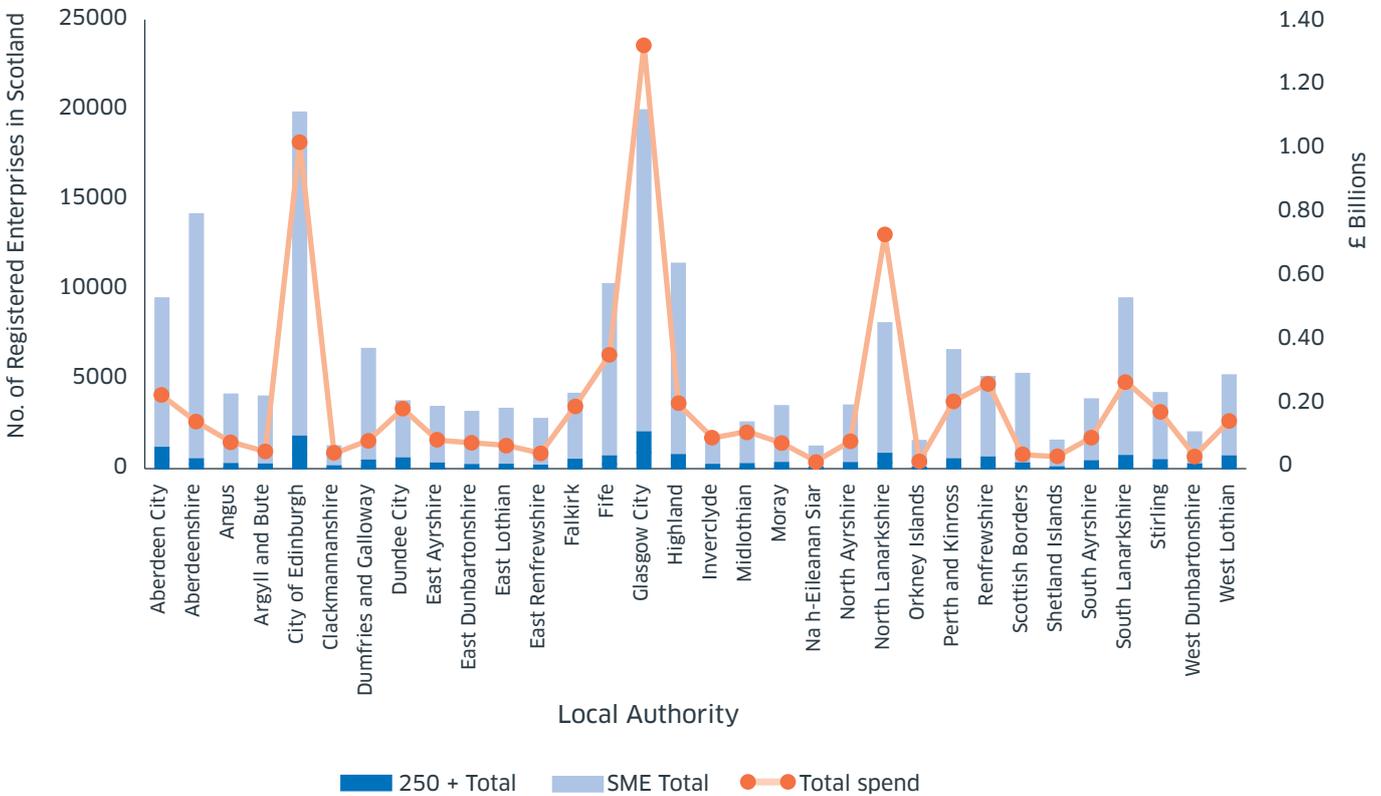


Figure 6: Scottish public bodies procurement spend by supplier location 2017-18



Spend by supplier location

Comparing area procurement spend with the number of registered SME and large enterprises in those areas (e.g. suppliers based in a local authority area) from 2015-16 to 2017-18 suggests that neither the number of registered enterprises nor procurement spend with suppliers in each local authority area have significantly changed over the period (Figure 6).

The procurement spend with suppliers by supplier location is roughly in line with the number of registered enterprises in that area, for example, Glasgow City and the City of Edinburgh areas have the greatest proportion of spend, together with the largest numbers of SMEs and large enterprises. There are some outliers however, in local authority areas such as Aberdeenshire and Highlands there are high numbers of enterprises (13,900 SMEs

in Aberdeenshire and 10,965 in Highland), yet businesses in these areas receive lower procurement spend in comparison (£141.2 million in Aberdeenshire and £195.9 million in Highland) (Figure 6).

The North Lanarkshire area in particular received a large proportion of spending (£726.3 million) in contrast to the number of SMEs and large enterprises in the area. In the year end 2018, the North Lanarkshire area had 515 large enterprises registered and 7,605 SMEs, whereas the Aberdeenshire area had 285 large enterprises registered and 13,900 SMEs with only £141.2 million procurement spend (Figure 6).

We recognise that not all businesses will be interested in doing business with the public sector. For example, while there are approximately 176,000 registered businesses

in Scotland¹⁴, there are under 66,000 unique suppliers registered on Public Contracts Scotland as expressing an interest in winning public sector contracts. We will continue to support those who are interested in doing business with the public sector in Scotland by offering advice and guidance, by making it easier for them to identify, access and compete for public sector contract opportunities, and by clearly articulating what we expect from our suppliers as responsible and fair employers and key partners.

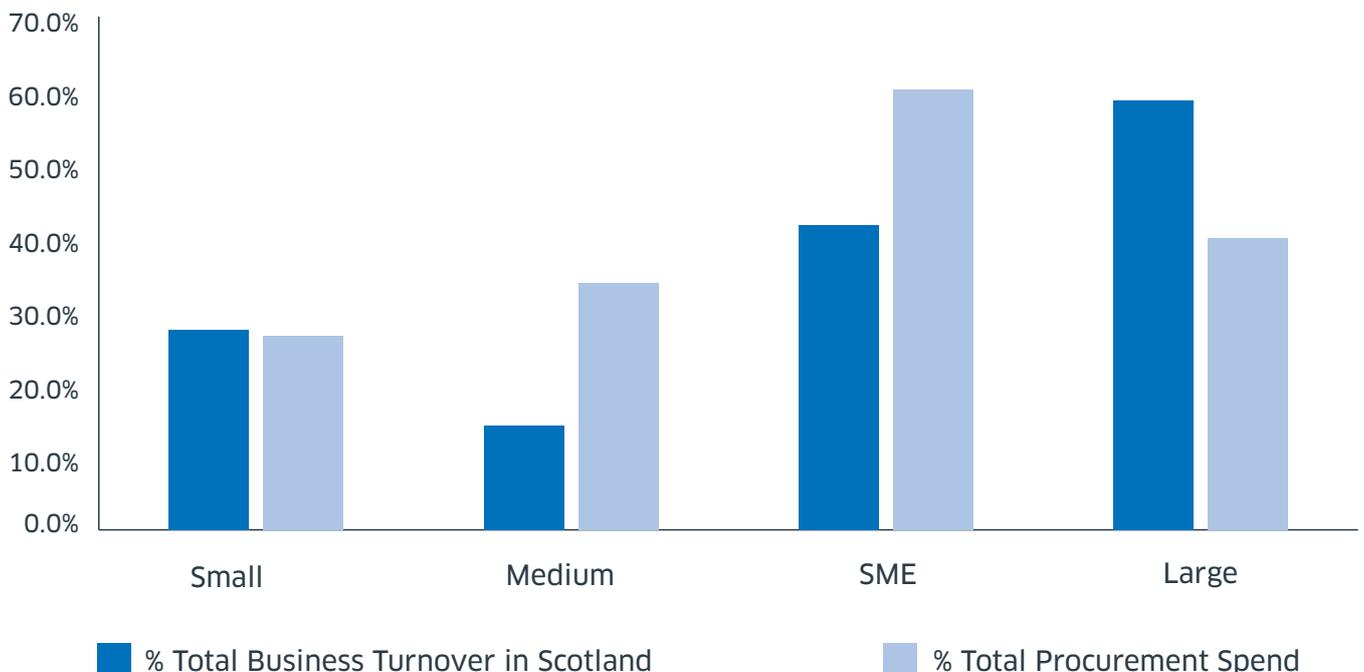
Spend by supplier type

Figure 7 shows the percentage of the total business turnover in Scotland by business size compared with the proportion of procurement spend by business size.

When procurement spend figures with suppliers located in Scotland are considered relative to the proportion of total Scottish turnover accounted for by different sized firms, SMEs account for a higher proportion of procurement spend (60.1%) than they do of total Scottish business turnover (41.5%).¹⁵

This suggests that small businesses are proportionally represented by procurement spend at 26.5% (£1.5 billion) when compared to the proportion of turnover at 27.3% (£73.2 billion) accounted for by small businesses. Medium enterprises account for 14.2% of total turnover (£37.9 billion), but 33.6% of Scottish public bodies' procurement spend (£1.9 billion).

Figure 7: Scottish Public Bodies' Procurement Spend by Size of Business (No. Employees), as a Proportion of Total Turnover in Scotland 2017-18



14 Source: Businesses in Scotland.

15 Where supplier location and size is known.

The converse is true for large businesses when taking account of their proportion of total turnover in Scotland. Large businesses of 250 employees and more generate 58.5% of Scotland's turnover (£156.8 billion), yet receive 39.8% of total procurement spend (£2.3 billion) in the period 2017-18.

Procurement spend with large enterprises has declined by 2.3% over a three year period, whereas spend with small and medium enterprises has increased by 0.3% and 1.9% respectively. The proportion of turnover, however, has also declined for large businesses by 1% over this time period. The proportion of Scottish turnover created by small enterprises has increased by 0.1%, while medium enterprises have seen a 0.9% increase. SMEs saw an increase of 1% of turnover in this period alongside a 2.3% increase in procurement spend.

Procurement savings data

Many public bodies reported savings such as efficiency savings, value for money and non-cash savings in their annual procurement reports. Sixty-seven public bodies provided information in their reports about some £540 million of savings achieved¹⁶. Several public bodies reported that they had met or exceeded their own savings targets.

Several public bodies mentioned that savings were achieved through the use of collaborative agreements. This included savings achieved by running a mini-competition, which is often a quicker and simplified competition process. This is because it involves the use of suppliers that had already been identified, through competition, under the overarching collaborative agreement. Other cost savings were achieved from:

- providing an enhanced definition of the scope of requirements for contracts at the tendering stage
- pre-procurement and post-procurement activity such as bidder forums and Meet the Buyer events
- steps to manage demand such as limiting product choices (e.g. office stationery)
- undertaking regular scrutiny of live contracts through regular contract performance reviews with suppliers

One public body described not only the savings they achieved and how this was done, but also the potential for further savings:

“In 2015 the [public body] set out the planned approach to transforming services to communities – our Building Ambition report. Included in this report was a commitment to reduce the recurring costs associated with the procurement of goods, services and works by a value of £2.5 million before the end of 2018-19. £1.9 million of cashable savings have been realised at the end 2017-18. Further work to rationalise purchased goods is ongoing. A proactive approach to identifying potential areas for savings has been developed; achieved savings are agreed with financial teams and senior management and removed from budgets where appropriate.

From changes to contract prices or structures we have identified potential for savings across a range of budget areas. The resulting savings have either been included in budget reductions or have been reinvested to support the continued delivery of front line services.”

¹⁶ In many cases, it was unclear whether the data provided related to regulated or non-regulated procurement spend.

Our ability to prosper is underpinned by the ambition, growth and performance of Scotland’s businesses. By adopting more efficient procurement practices that encourage competition and secure best value, and by working collaboratively, we ensure that effort is not duplicated and that we learn from each other.

Collaborative spend and savings

In Scotland, we have for some time recognised the importance of working collaboratively, where appropriate, to ensure even greater efficiency, while at the same time continuing to ensure that businesses of all sizes have opportunities to bid for public sector contracts.

Collaborative procurement is about achieving value for money for the Scottish public sector by working in partnership with buying organisations, the centres of expertise¹⁷ and suppliers. The three Scottish Government collaborative procurement portfolio teams cover Utilities, Information and Communication Technology and Corporate and Professional Services, and award collaborative agreements for the whole of the Scottish public sector and also for the central government sector. The contracts and collaborative agreements awarded have a combined value of over £800 million per year. They can be used by public bodies and third sector bodies across Scotland and cover a range of goods and services. Details of current national collaborative agreements can be found on the **Scottish Government website**.

Figure 8 below illustrates aggregated collaborative spend across the sectors

Sector	Health	Local Government	Universities and Colleges*	Central Government	Total
Year	£ million				
2016-17	1,388	839.4	267	255.3	2,749.7
2017-18	1,400	899.4	326	199.7	2,825.1

Source: Figures provided by each centre of expertise

*This is based on academic years – note that some past reports were compiled based on fiscal years so may be reported slightly differently.

17 There are four procurement centres of expertise which between them provide support and guidance to public sector bodies. They are: [Scotland Excel](#) for Scotland’s local government sector; [APUC Limited](#) for Scotland’s universities and colleges; [NHS National Procurement](#) for health; and the [Scottish Government](#) for central government bodies.

The European Commission published a communication¹⁸ in 2017 that noted, “Contracting authorities are rarely buying together”, despite the benefits that can be realised through suitable collaborative procurements.

This is not the case in Scotland as 2017-18 figures suggest ongoing levels of collaborative spend across the public sector, with a slight overall increase in collaborative spend when compared with 2016-17 figures.

Collaborative spend data for 2017-18 suggests that some 24% of in-scope public procurement is channelled through collaborative contracts at a national or sectoral level.

Collaborative procurement is a focus for many public bodies when reporting on achievement of value for money, for example, reported procurement savings (cash only) in 2017-18 were over £114 million aggregated from sector specific reporting. The extent to which public bodies have ensured that their regulated procurements deliver value for money was often described in the context of reviewing compliance of regulated procurement with their procurement strategies. However, many public bodies made this a distinct section in their annual procurement report, describing in some detail aims and achievements in delivering value for money in regulated procurement.

One public body detailed its actions against strategy commitments to value for money, for example:

Commitments to deliver value for money by:	Action:
Evaluating tenders on the best ratio of quality and price	Ratio of quality/price is specific to individual procurements and informed by market research. Likely impacts of various quality/price ratio established at the outset of procurements.
Utilising whole life costing to evaluate tender pricing	Pricing evaluations take account of the various elements of costs over the life of the contract.
Utilising collaborative frameworks where possible	Use of collaborative framework agreement always considered at market research stage. Where not used, an explanation must be provided in the commodity/service strategy. Sixty-two per cent of regulated contracts awarded under collaborative frameworks.
Undertaking effective market research to inform our project strategies	Market research undertaken for all regulated procurements and resource allocation made on project planner. Checklist rolled out to assist effective market research, the outcomes of which inform commodity/service procurement strategies.
Utilising outcome-based specifications	Specifications drafted with support of the purchasers and in consultation with relevant stakeholders and in-house specialists. Specifications are mostly outcomes-based.

They then noted ways to build on this further.

¹⁸ [‘Making Public Procurement work in and for Europe’ – COM\(2017\) 572 final](#)

5. Embedding sustainability in public procurement

We are committed to maximising the broader socio-economic and environmental benefits of public procurement by ensuring that procurement activity is conducted effectively and efficiently, and that those awarded public contracts support skills and training, responsible business processes and Fair Work practices for employees.

Our approach to sustainable public procurement in Scotland is encapsulated in the 2014 Act. A public body is now required by law to consider how its procurement activity can be used to improve the economic, social and environmental wellbeing of its area, how it will facilitate the involvement of SMEs, third sector and supported businesses and promote innovation.

This is because we think that spending money in a way which considers social, environmental and economic issues can make big improvements to communities. It is why, having consulted with our stakeholders, we took a decision in 2015 that higher value contracts should not be awarded on the basis of price or cost alone. And it is why we set out that this approach should also be applied to any award criteria for contracts regulated by the 2014 Act.

We know that Scotland is leading the way having taken these steps as the European Commission noted in 2017¹⁹ “strategic procurement possibilities are not sufficiently used” as “55% of procurement procedures still use the lowest price as the only award criterion”.

There are a number of measures that a public body may take to ensure that its public contracts deliver wider socio-economic and environmental benefits. Around three quarters of annual procurement reports published included examples of how public bodies embed sustainability in all that they do.

Many of the measures taken will differ from contract to contract and sustainability has been illustrated in a number of ways by different public bodies – several demonstrated a commitment to sustainability through Fair Work practices and payment of the real Living Wage, while others focused on sustainability from a skills and training or an environmental perspective, addressing innovation in procurement, and prompt supplier payment.

¹⁹ [‘Making Public Procurement work in and for Europe’ – COM\(2017\) 572 final](#)

The 2014 Act requires Scottish public bodies to set out their prompt payment policy in their procurement strategies. While a number of public bodies included information on payment performance within their reports, we know there is more to do so that all public bodies routinely include information on payment performance within their annual procurement reports.

Building in community benefit requirements and addressing Fair Work practices, where they are appropriate, are two examples of how a public body can harness its public procurement spend to promote equality of opportunity, reduce inequality, drive productivity and deliver maximum value for taxpayers, local communities and wider society. Scotland has been recognised as a leader in promoting social and economic benefits to communities through its public procurements.

Community benefit requirements in public procurement

The Scottish public sector spends a significant sum each year buying goods, services and works, and it is right that people expect it to be spent in a way that aims to deliver the most benefits possible to society. A number of procurement policies, like our community benefits policy, have wider socio-economic and environmental benefits. The 2014 Act describes a community benefit as: “a contractual requirement imposed by a contracting authority – (a) relating to – (i) training and recruitment, or (ii) the availability of sub-contracting opportunities, or (b) which is otherwise intended to improve the economic, social or environmental wellbeing of the authority’s area in a way additional to the main purpose of the contract in which the requirement is included”.

Community benefits help to deliver targeted employment and training opportunities for businesses, including SMEs, the third sector and supported businesses.

Community benefits contribute to a number of national outcomes including being well educated, skilled and able to contribute to society and tackling poverty by sharing opportunities.

Since 2008, community benefits have been used increasingly in public contracts across the Scottish public sector. These have delivered thousands of targeted training and recruitment opportunities and opened up opportunities for local organisations (including the supported employment sector and other social and community enterprises) in the supply chain.

As a result of our procurement legislation, all Scottish public bodies must consider the use of community benefit requirements for regulated procurements where the estimated value of the contract is £4 million or more. They must also include in the contract notice a summary of the community benefit requirements to be included in the contract or reasons why community benefits have not been included in any contracts valued at £4 million or more. They must produce annual procurement reports and include a summary in those of any community benefits delivered that year through their procurements.

Research on the impact and value of community benefit requirements published in 2015²⁰ recommended more systematic monitoring of community benefit requirements and their impacts in future contracts so that the use of community benefit requirements could be fully justified.

²⁰ <https://www.gov.scot/publications/analysis-impact-value-community-benefit-clauses-procurement/>

The **statutory guidance** on community benefit requirements, developed under the Act (and the **Best Practice guidance** on annual procurement reports) built on the findings of the 2015 research and included indicative measures for systematic monitoring to demonstrate the impact of community benefits.

Over the past three years, significant improvements have occurred. Figures from the Public Contracts Scotland advertising portal show large increases in contracts with community benefit requirements. These also show a significant shift in the types of contracts that include a community benefit requirement. A summary of the information available from Public Contracts Scotland is shown in figure 9 below:

Figure 9: Number of contract notices with community benefit requirements

Type of contract	2015-16	2016-17	2017-18
Goods	0	57	99
Services	2	294	370
Works	79	228	374
Total	81	579	843

As a direct result of procurement activity reported by public bodies:

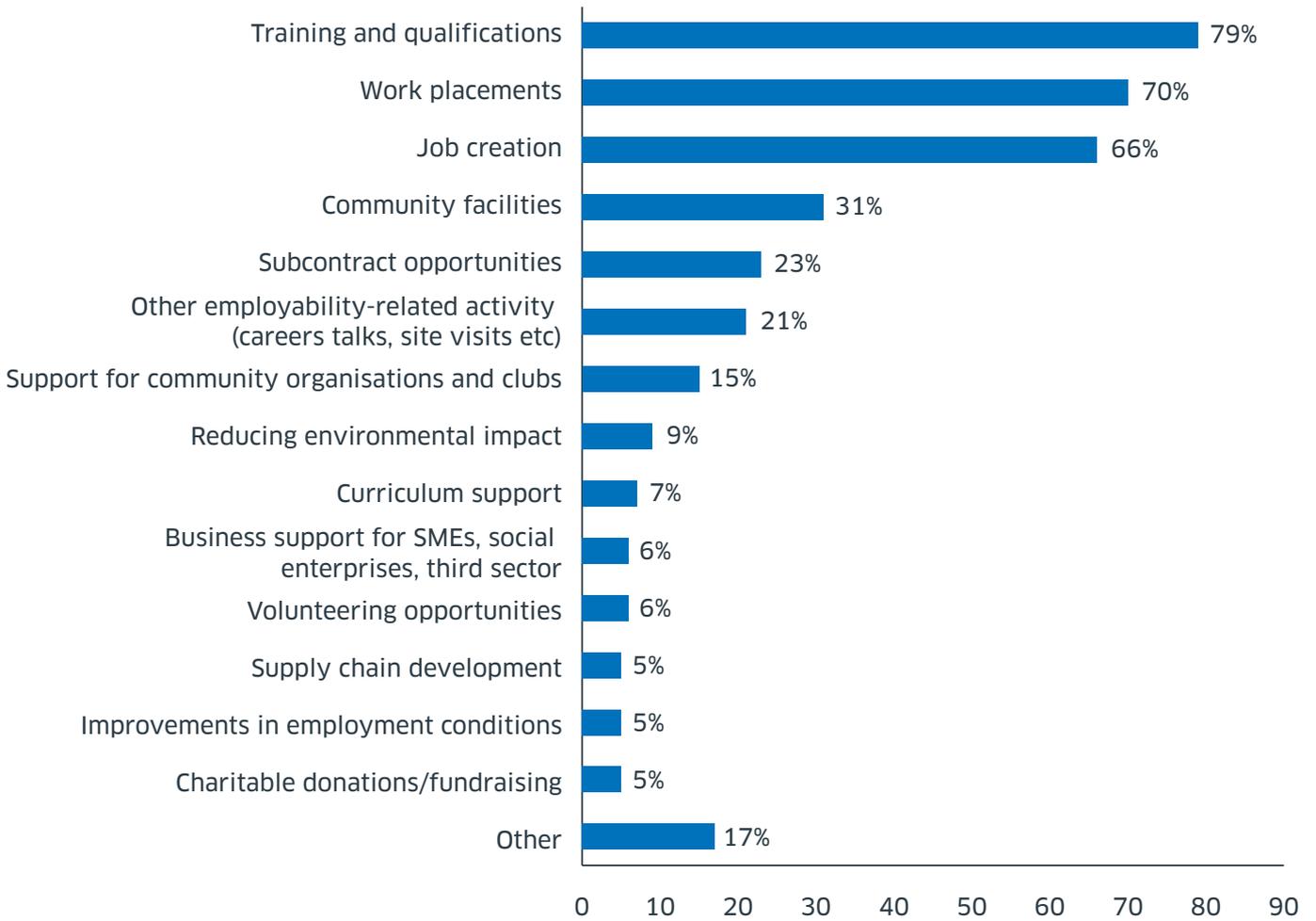
- Six hundred and thirty five contracts were awarded in the reporting period with community benefit requirements, these contracts had a total value of over £588 million, although this is likely to be an underestimate
- Seventy-four contracts valued at or above £4 million included community benefit requirements, with a total value of £342 million

This information contained within annual procurement reports also shows that the progress reported in the 2015 research has continued.

Type of community benefit requirements

The figure below illustrates the types of community benefits delivered by public bodies.

Figure 10: What types of community benefits were delivered during the timeframe covered by the reports



Training and employment continue to be the most common type of community benefit requirements. These focus, for example, on employability outcomes such as the provision of training and qualifications, work placements, and/or the creation of employment opportunities. Some other community benefits linked to enhancing the employability of school, college and university students, and people looking for work were also described. These activities included site visits and careers talks.

One example of how a public body presented details of community benefit requirements imposed, is described below:

The public body's report includes a summary of community benefit requirements in the main body of its report. The summary lists the five regulated procurements that included community benefit requirements and provides a high-level summary of benefits achieved during the reporting period. This states that these contracts *"included the provision of more than 260 apprenticeships, 54 work placements, 140 graduate places and over £570 million of work sub-contracted through Public Contracts Scotland (including over £183 million subcontracted to SMEs)"*.

The report also contains an appendix with a number of examples of contracts which were live during the reporting period and the community benefit requirements imposed, including quantitative details of benefits achieved, such as the number of people employed, apprenticeships created, training places created, and contracts awarded to SMEs. The examples also contain brief details of some of the activities undertaken to deliver community benefits.

For instance, the M8/M73/M74 Motorways Improvement Project created jobs for 31 long-term unemployed people and involved 218 sub-contracts worth £117 million awarded to SMEs. The Clyde and Hebrides Ferry Service involved the creation of 53 vocational training places, including 20 full time places targeted at priority groups such as young people and unemployed people, and involved £7,515 worth of spend with third sector bodies and supported businesses.

Subcontracting opportunities are also a type of community benefit requirement. Many suppliers that are awarded contracts by Scottish public bodies will sub-contract some of their work. As a result, opportunities are being created for SMEs, the third sector and supported businesses to participate in the supply chain.

This printing sector case study provides a recent example of a medium sized firm (50 to 249 employees) that was awarded a framework agreement that can be used by the wider public sector in Scotland.

The business is based in Edinburgh and employs 117 staff, 27 of whom were additional recruits for the purpose of delivering the Scottish Government’s Baby Box initiative.

The business recently had success in winning the Publishing, Print, Design and Associated Services Framework following a regulated competitive procurement process. This printing company continue to support

Scotland and Scottish jobs by recruiting locally and utilising an extensive supply chain including 114 SMEs, 105 of whom are Scottish, including 47 print suppliers across Scotland in 2017-18.

Figure 11 shows the money spent with these sub-contractors and helps understand the business’s contribution to the Scottish print industry and Scotland’s economic growth.

Figure 11: The business supply chain

	2015-16		2016-17		2017-18	
	Companies	Spend	Companies	Spend	Companies	Spend
SME Grand total	89	£2,143,450	101	£7,236,188	114	£7,715,091
Scottish SME total	65	£1,940,630	76	£6,460,390	105	£5,805,053
Scottish SME total print	33	£1,184,465	44	£1,650,235	43	£2,400,000 ²¹

Next steps

While the statutory guidance suggested indicators that demonstrate the impact of community benefits, there was significant variation in the level and type of information provided in individual annual procurement reports. We will, therefore, consider how we can improve management information and data on use of community benefit requirements, to achieve greater consistency of reporting and to demonstrate the difference they make to citizens and communities.

More generally we will consider other ways to improve the management information and data relating to the sustainable procurement duty including community benefit requirements.

The variety of reasons given for not including community benefit requirements suggests that more needs to be done to reiterate the relevant and proportionate use of community benefits. Much of this can be achieved by promoting the approach being taken by the wide range of public bodies that are successfully including community benefit requirements in their contracts and collaborative agreements.

In the context of the sustainable procurement duty, we will continue to work with public bodies to drive the ongoing use of community benefit requirements

²¹ Figures based upon conventional printed materials and exclude screen print, promotional items and display materials print. £3.1 million was spent on conventional print in 2017/18, and therefore Scottish SME Printers gained 77% of conventional print spend in that year.

While it is our intention to review the £4 million threshold at which specific community benefit provisions apply, evidence to date suggests that the threshold is not acting as a barrier to use of community benefit requirements in contracts of all values. The threshold review will form part of a wider review of the value and impact of the sustainable procurement duty.

Fair work and public procurement

Fair Work is central to our economic strategy; it is good for employees, good for business and good for Scotland.

Fair Work practices can drive productivity, release untapped potential and inspire innovation, all of which add value to jobs and to business and in turn create stronger, more sustainable and inclusive growth. The Scottish Government wants Scotland to be a world-leading Fair Work Nation by 2025. Our commitment to promoting Fair Work is set out in **Scotland's Economic Strategy, National Performance Framework, Economic Action Plan** and our **Labour Market Strategy**. The Fair Work Action Plan sets out the approach the Scottish Government will take to help embed and mainstream Fair Work within workplaces and achieve the 2025 vision of a Fair Work Nation.

The Scottish Government established the Fair Work Convention in 2015. The Convention, which independently advises the Scottish Government on Fair Work, published its Fair Work Framework in 2016. The Fair Work Convention undertook a themed review of how procurement can support the Fair Work agenda in August 2017. The Convention continues to support procurement as a key enabler of our Fair Work ambitions.

Fair Work practices, including the payment of the real Living Wage continues to be a key aspect of Scottish public bodies' decisions to support sustainable procurement and contribute to wider inclusive economic growth.

Statutory Guidance on Addressing Fair Work Practices, including the Living Wage, was published in October 2015. It requires public bodies to consider, before undertaking a procurement exercise, whether it is relevant and proportionate to include a question on Fair Work practices, to be evaluated along with other relevant criteria. This Statutory Guidance applies to new procurement processes, which were commenced on or after 1 November 2015.

In collaboration with public bodies and stakeholders, including the Fair Work Convention and the trade unions, **Best Practice Guidance** and a **Toolkit** was published in July 2018. This offers additional practical guidance to help public bodies and suppliers think about how to develop and adapt their approach to Fair Work practices at the relevant stages of the procurement process.

At the end of this reporting period, implementation of the Statutory Guidance on Addressing Fair Work Practices, was still ongoing.

Public bodies are required to include in their organisational procurement strategy a statement on their general policy on "the payment of a living wage to persons involved in producing, providing or constructing the subject matter of regulated procurements". Annual procurement reports are required to include a review of whether those procurements complied with the body's procurement strategy, including compliance with this general policy statement.

Analysis of the information contained in annual procurement reports does not give us sufficient information to enable us to be conclusive about the approach taken or progress made in promoting payment of the real Living Wage across public bodies. This is an area where we will seek to gather more information in future.

Analysis of annual procurement reports has identified that several public bodies have adopted a policy that supports Fair Work practices, including payment of the real Living Wage as part of their approach to sustainable procurement. Some seek a declaration from suppliers regarding payment of the real Living Wage, while others include Fair Work practices and the real Living Wage in contract documents, or encourage their suppliers to obtain Living Wage Accreditation.

Analysis shows that some public bodies have chosen to include Fair Work practices as a type of community benefit. Of all community benefit types Fair Work practices represented 5% of all types and included a focus on improvements in employment conditions, including payment of the real Living Wage, working towards gender employment targets and the elimination of the inappropriate use of zero hours contracts.

The example below from the Higher Education/ Further Education sector, reflects what was included in a number of annual procurement reports and describes how they have embedded Fair Work practices, including the real Living Wage as part of a wider approach to sustainable procurement.

“Procedures are in place to ensure that consideration of environmental, social and economic issues and benefits is made, where appropriate, on a contract-by-contract basis during the planning stage utilising tools including **Prioritisation, Flexible Framework**, [The Centre of Expertise] **Supply Chain Code of Conduct**, and **Sustain**.

Procedures are also in place to ensure that regulated procurements are only awarded to businesses that are capable, reliable and, where relevant, meet high ethical standards and values in the conduct of their business. The institution is committed to contracting only with suppliers that comply with all appropriate and relevant legislation. Where appropriate, and on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with it e.g. Health and Safety, Late Payment legislation. Where relevant and proportionate, the Living Wage and fair work practices of suppliers are promoted in tender documentation. The public body is a Living Wage employer.

The Institution complies with its duties under the Modern Slavery Act.”

Paying the real Living Wage on Collaborative Agreements

To help inform progress, and where available, the Centres of Expertise have provided information on the payment of the real Living Wage in collaborative agreements. Collaborative agreements are put in place by the centres of expertise on behalf of the public bodies they represent. Fair Work practices and payment of the real Living Wage are a key consideration in collaborative procurement decisions.

Spend on national and sectoral collaborative agreements put in place by the Scottish Government and Scotland Excel accounted for around 39% of all collaborative spend in 2017-18.

87% of suppliers awarded onto collaborative agreements for the Scottish public sector and local government sector will pay the real Living Wage, 78% of these suppliers are SMEs.

Figure 12: Payment of the real Living Wage and Living Wage accreditation on collaborative agreements awarded by the Scottish Government and Scotland Excel

	Collaborative agreements concluded in period	Suppliers awarded onto those collaborative agreements	Suppliers who committed to pay the real Living Wage	Supplier size		Nationality		Accredited Living Wage employers ²²
				SME	Large	Scottish	Other	
				Scottish Government	13	347	333 96%	
Scotland Excel	28	458	374 82%	288 77%	86 23%	237 63%	137 37%	79 17%

Figure 12 includes data regarding the payment of the real Living Wage and Living Wage accreditation on collaborative agreements awarded for these sectors. Other sectors do not have similar data available.

NHS National Procurement is promoting Fair Work practices, including the real Living Wage, in procurement processes, where appropriate. NHS National Procurement will work with suppliers through contracting and relationship management to look for opportunities for suppliers to implement the real Living Wage within their staff structures. Recent reporting enhancements facilitates the data capture for suppliers who are accredited as a Living Wage employer, this is an area National Procurement will be in a position to report on during 2019-20.

²² A procurement contract can only affect those workers who will be engaged on the delivery of the contract, so it is not possible, as part of a procurement process, to require that suppliers are Accredited Living Wage employers, despite this suppliers are encouraged to consider accreditation.

Advanced Procurement for Universities and Colleges (APUC), considers the Fair Work practices, including the payment of the real Living Wage, of suppliers in its procurements, by including standardised wording through its framework agreement tender process. Management information gathered confirms that during this reporting period, the spend with suppliers registered with the UK living wage accreditation website during this reporting period is £24.5 million. APUC will be in a position to report on this more accurately for the next financial year.

Next steps

The Fair Work Action Plan, published on 27 February 2019 sets out the strategic approach the Scottish Government is taking to help achieve the vision for Fair Work. That, by 2025, people in Scotland will have a world-leading working life where Fair Work drives success, wellbeing and prosperity for individuals, businesses, organisations and society. It is the beginning of a long-term strategy, and procurement decisions will have a key role in supporting delivery of that strategy.

We will continue to support public bodies drive forward Fair Work practices, including the payment of the real Living Wage in all relevant procurements. This includes supporting the Economic Action Plan 2018-20 commitment, by the end of this Parliament, to extend the range of Scottish Government and public sector contracts that Fair Work criteria will apply to.

And procurement will contribute to the roll-out of the new Fair Work First default position to government support, which will include a commitment to:

- invest in skills and training
- no inappropriate zero hours contracts
- action to tackle the gender pay gap
- genuine workforce engagement, including trade union recognition
- pay the real Living Wage

We will continue to work with stakeholders to provide updated guidance on how procurement can support the ongoing commitment for adult social care workers to be paid the real Living Wage. We will also support Scotland Excel to develop and publish guidance for local authorities on how procurement can support the roll-out of 1,140 hours of funded Early Learning and Childcare entitlement from 2020.

People and capability

It is widely recognised that the professionalism, skills and expertise of those involved in awarding and managing contracts is vital for ensuring that public procurement is used effectively as a strategic lever and making procurement spending decisions work harder and more effectively.

Across Scotland, we continue to make significant progress in the area of people and capability. Over the past couple of years, great strides have been made to underpin standards of practice, improve access to cross-sector learning and experiences, address skills gaps and create a sustainable legacy for the procurement profession in Scotland.

The examples below show how two bodies have undertaken various activities to develop people and capability:

“Three Chartered Management Institute accredited Leadership & Management courses ran in Inverclyde, Perth and Stirling during 2017-18 with a fourth scheduled to begin in Fife in April 2018. A Chartered Institute of Procurement & Supply accredited course was launched in January 2018. Ten practitioner workshops and two masterclasses also took place during the year.” The public body “also worked with Skills Development Scotland to develop a Graduate Level Apprenticeship in business management.”

This forms part of the approach to support professional capability and encourage new entrants to public procurement.

“Attracting and retaining qualified and capable procurement professionals remains an ongoing issue. [The public body] is addressing this via a two-pronged approach. Firstly, [the public body] is continuing to follow a ‘Grow from within’ approach, designed to develop the skills, experience and confidence of existing staff with a view to progression. Secondly, [the public body] has developed a ‘Procurement Career Pathway’, providing a number of viable entry (and exit) points for new or less experienced staff to join the [body’s] Procurement team.

This approach is designed to provide a more flexible and agile approach to resourcing and to promote and encourage new entrants to the procurement profession. [The body] is utilising a blend of undergraduates, graduates and also using development opportunities to enable existing staff in [the body] to learn and develop their procurement skills.”

While the European Commission²³ has noted that the “low level of professionalism of public buyers is a systemic problem in many Member States”, Scotland’s reputation for striving to be a leader in developing people and capability is recognised internationally. Our unique Scottish approach to developing our talent and capability has been recognised by the Chartered Institute of Procurement & Supply, the European Commission and governments further afield who are actively using it as a benchmark of best practice. Indeed, our Procurement Competency Framework was **published as an exemplar by the European Commission.**

²³ [‘Making Public Procurement work in and for Europe’ – COM\(2017\) 572 final](#)

6. Engaging SMEs, the third sector and supported businesses

Greater transparency and easier access to bid for public contracts mean that more businesses of all sizes and type have the opportunity to benefit from the public purse.

SMEs

We recognise that businesses including SMEs are critical to the economic health of the country. The number of public contracts advertised through Public Contracts Scotland has significantly increased since 2009. In that year, 3,516 contracts were advertised on Public Contracts Scotland increasing to 15,400 in 2017-18. That represents more than a four-fold increase in eight years. The majority of those notices in 2017-18 (11,715 or 76%) were published using the Quick Quotes system which is a simple competitive process for use by public bodies to advertise lower value contract opportunities and which are often attractive to smaller and medium sized businesses (SMEs). The remaining 24% were higher value public contracts.

Our **2017 Small Business Survey Scotland** was published in July 2018 and showed that 60% of SMEs were looking to grow their sales over the next three years. In addition, the **Supplier Development Programme** has seen a 17% increase in business registration from 2016-17, with over 1,300 SMEs, third sector bodies and supported businesses attending training events.

The sustainable procurement duty under the 2014 Act requires public bodies to consider how they might facilitate the involvement of SMEs, the third sector and supported businesses in their procurements and which should be designed in a way that encourages them to be involved. The 2014 Act makes it easier for them to find and win contracts by ensuring that contract opportunities are advertised through Public Contracts Scotland cementing the website's role as the 'one-stop shop' for procurement opportunities in Scotland.

As a direct result of procurement activity by Scottish public bodies:

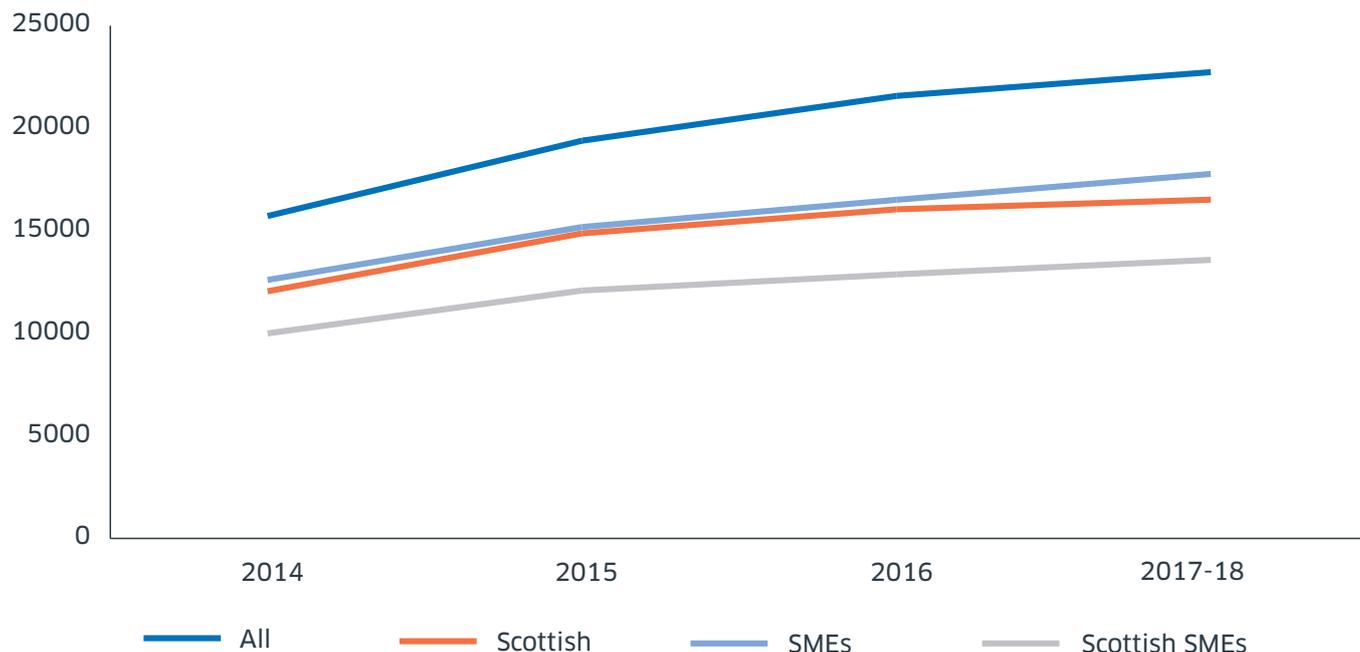
- Over 20,700 businesses in Scotland, approximately 19,500 (94%) of which were SMEs, directly benefitted from spend in Scotland in 2016-17²⁴, with many more businesses indirectly benefiting within supply chains.
- Our Scottish Procurement Information Hub identifies that, where the size and location of the supplier was known, SMEs were direct recipients of 60% of procurement spend in Scotland in 2017-18.

²⁴ Where supplier location and size is known.

- Information recorded on Public Contracts Scotland identifies a high percentage of those winning contracts are SMEs, including Scottish SMEs. For example,

over 78% of suppliers awarded contracts in 2017-18 were SMEs, and 60% were SMEs located in Scotland.

Figure 13: Suppliers awarded contracts



This shows that SMEs continue to have an excellent track record in winning public sector contracts. To help SMEs and third sector bodies to continue to win work and to grow their business the **Supplier Development Programme** will continue to run supplier focused events and works with partners and external organisations. Also, to help SME and Third Sector bodies who wish to tender for public sector contracts, we updated the **Supplier Journey**. This includes guidance on bidding for goods, services, health and social care contracts. It also includes information on where suppliers, from all sectors, can seek further support and training.

The Third Sector

We recognise the importance of the third sector and continue to fund **'Partnership for Procurement'**, a programme that provides a range of support specifically to Third Sector bodies wishing to form consortia to bid for public sector contracts. We also deliver support and training in tender writing for Third Sector bodies linked to the **Just Enterprise** Third Sector programme.

The **Social Enterprise in Scotland Census 2017** showed that 52% of the social enterprises surveyed describe the public sector as customers and 20% had bid for a public sector contract in the preceding 12 months with three-quarters of those bidding being successful.

In their annual procurement reports, many public bodies discuss how they have facilitated the involvement of SMEs, supported businesses and third sector bodies. Examples of this included:

- reserving contracts to supported businesses
- asking bidders to confirm that sub-contract opportunities are accessible to SMEs and third sector bodies
- encouraging SME participation through the lotting of contracts
- using the Scottish Government Supported Business Framework and drawing on the independent register of supported businesses
- targeting opportunities at SMEs through the Quick Quote process
- holding industry days, which highlighted opportunities for supported businesses
- increasing their spend with SMEs during the reporting period

Supported Businesses

We also recognise the importance of providing opportunities for supported businesses to participate in public procurement. Procurement legislation defines supported businesses as businesses for which the core purpose is the social and professional integration of disabled or disadvantaged persons and where at least 30% of the employees of those businesses are disabled or disadvantaged persons.

Public bodies can choose to reserve contracts for supported businesses, without opening the opportunity up to wider market competition. This approach recognises that supported

businesses have a valuable role as a stepping stone into mainstream employment for disabled and disadvantaged persons.

That is why we committed, within the first of three action plans underpinning '**Scotland's Social Enterprise Strategy 2016-2026**', to continue to work with supported businesses across Scotland, seeking creative ways to enable them to flourish commercially and sustain employment for disabled and disadvantaged people. That action plan underlines our commitment to make it easier for public bodies to identify and reserve contracts for supported businesses.

We also extended our Supported Business Framework until September 2018²⁵. The framework provided an easier route for public bodies to contract with supported businesses on that framework for the following goods and services:

- Textiles and Personal Protective Equipment
- Furniture and associated products
- Signage
- Document management

As a direct result of procurement activity by public bodies, a range of contracts were awarded to supported businesses with a total combined value in excess of £17 million. This includes the largest ever reserved contract, valued at £8.1 million for delivery of Fair Start Scotland, which aims to help some of those furthest removed from the labour market in their journey towards and into work. Annual procurement reports by public bodies also show over £6 million of spend with supported businesses during the timeframe covered by the reports.

²⁵ A new **framework agreement for commodities reserved for Supported Businesses** was established on 10 December 2018.

7. Future procurement activity

The introduction to this document confirmed that this is the first report summarising the regulated procurement activity of higher spending public bodies in Scotland. Its publication supports the increased transparency and visibility of public procurement in Scotland.

Publishing future contract opportunities also supports better information, increased transparency and visibility. It provides a better basis for engagement, whether that be with those interested in doing business with the public sector or with other public bodies to assist with identifying potential opportunities to collaborate. That is why the 2014 Act requires public bodies to include a summary of the regulated procurements expected to commence in the next two financial years within their annual procurement reports.

The total estimated value of procurements for the next two financial years provided in annual procurement reports is over £9.6 billion. The range of future procurements varied greatly in value and type and often there were variations by sector – for example, future procurements for universities and colleges included catering services, student recruitment and faculty teaching equipment, while local authorities noted future procurements such as community meals, housing support and school and nursery refurbishments.

There were also many similarities in the types of procurements listed by public bodies across the different sectors, with some types of future procurements common across sectors – for example, pest control, boiler maintenance and waste management.

Some public bodies gave information about future opportunities for collaboration in their reports – this related to upcoming contracts that bodies could work collaboratively to tender, or working collaboratively themselves with other authorities and partners to promote innovation.

Other public bodies provided information about how they planned to help suppliers identify future procurements – examples included advertising via Public Contracts Scotland or the body's own website, or by providing relevant information in their procurement strategy.

8. Conclusion and next steps

This report shows that good progress continues to be made on public procurement in Scotland. The individual annual procurement reports published last year by Scottish public bodies, along with other information contained within this report, not only support our continued drive to improve transparency and practice, they also illustrate the scale, the scope and the reach of public procurement activity in Scotland.

Public procurement remains a significant contributor to the Scottish economy and we continue to see increased access to public sector contracts year on year. While the full impact and benefits of the recent changes in public procurement legislation are yet to be realised, there are signs that these changes are positively influencing practice and securing wider benefits for our public services and our communities. There is more routine use of community benefit requirements in contract notices and these are delivering a range of benefits such as job creation, training and qualification, work placement and subcontract opportunities. We are also seeing greater consideration of Fair Work practices and the payment of the real Living Wage to those working on public contracts. At the same time, public bodies across Scotland are continuing to drive efficiencies and savings from their public procurement spend. And we continue to enhance our international reputation for good practice, recognised by other countries and administrations.

We cannot afford to stand still, however. There was variation in the level and type of information presented by public bodies in their individual annual procurement reports and on which this report is based. For example, some public bodies included a high-level summary of their community benefits, some listed each community benefit requirement imposed, and a small number provided a list of each contract awarded including details of any community benefit requirements attached to each.

Equally, information on the number of third sector bodies and supported businesses winning public sector contracts is more difficult to quantify due to data limitations. The lack of data on third sector bodies and supported businesses winning public contracts highlights a need for us to explore how we might improve visibility of that data. Future annual procurement reports from individual public bodies across Scotland offers one way to improve that picture in the short to medium term.

Many of the annual procurement reports included information on whether regulated procurements had complied with the public body's procurement strategy, with just under half of all reports clearly indicating that regulated procurements had complied with the public body's procurement strategy. While some bodies simply listed compliance or non-compliance by each regulated contract, others included a summary statement.

In those annual procurement reports where a review was provided and a procurement was found not to be compliant with a public body's procurement strategy, not all included a clear statement on how the public body will ensure regulated procurements comply in future.

We now need to build on the steps taken by many Scottish public bodies in publishing their first annual procurement reports under the 2014 Act. We must improve management information and data, identify and share good practice, learn from one another, and remain committed to the continuous improvement of public procurement in Scotland.

Next steps

Through our commitments in Scotland's Economic Strategy and the Economic Action Plan, we are reshaping our strategic priorities to ensure continued alignment with the National Performance Framework. While service delivery, savings and efficiencies remain a priority, there is an increased focus on procurement that is:

- good for businesses and their employees
- good for society
- good for places and communities
- open and connected

We are already shaping a range of work that will support these four priorities. We will:

- do more to support small businesses and local supply chains by introducing an easily accessible portal drawing together the support available for businesses who aspire to use public contracts as a means to facilitate growth
- extend the reach of our policy on the advertising of sub-contract opportunities in Public Contracts Scotland. This will increase the opportunity for local supply chains to be established in the delivery of public contracts
- continue to champion faster payments, streamlining our purchase to pay processes, working with our suppliers to ensure they pay their sub-contractors promptly and encouraging the use of project bank accounts in suitable construction and infrastructure projects

- work to mainstream and extend the range of Scottish Government and public sector contracts in Scotland that Fair Work criteria apply to, improving pay and conditions for those working in our supply chain
- support public bodies in mainstreaming sustainable procurement decisions to maximise the benefits of our procurement spend for Scotland, including the pursuit of equality outcomes through procurement
- continue our work to mainstream the use of community benefit requirements in public contracts to deliver wider benefits for local communities and the wider society
- extend our engagement with the Construction industry and we will work with Construction Scotland to establish a range of procurement routes to facilitate the delivery of public assets in the built environment, both directly with SMEs and through local supply chains
- seek to build on the publication of annual procurement reports by improving management information and data, and securing greater consistency of that information, where appropriate, to better support public procurement in Scotland and ensure that procurement spend is being used to best effect
- continue to share best practice and evolve our systems, tools and processes
- commit to publishing a spend dashboard on an annual basis as part of our ongoing work on improving transparency of public procurement in Scotland



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This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-78781-687-9

Published by The Scottish Government, April 2019

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS519726 (04/19)

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