

# **Update to the Scottish Government Procurement Strategy**

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# Contents

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1.	Introduction	3
<b>Part 1</b>		
2.	Carrying out our functions and purpose	8
3.	How our procurement activity contributes to value for money	14
4.	Some other key policies and principles linked to public procurement	17
5.	Sustainable procurement and our approach to engaging SMEs, the third sector and supported businesses	19
<b>Part 2</b>		
6.	Our Policies	23
6.1	Applying community benefit requirements in our contracts	23
6.2	Consulting and involving people affected by our procurements	25
6.3	Fair Work practices including paying the 'real' Living Wage to people involved in delivering our contracts	27
6.4	Making sure our contractors and subcontractors keep to the Health and Safety at Work Act 1974 and any provision made under that Act	29
6.5	Procuring fairly and ethically traded goods and services	30
6.6	Using contracts involving food to improve the health, wellbeing and education of communities in Scotland and promote the highest standards of animal welfare	31
6.7	Paying invoices in 30 days or less to our contractors and subcontractors	34
7.	Annual procurement report	36
8.	Strategy ownership and contact details	37

# 1. Introduction

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This document updates the Scottish Government's 2017-19 procurement strategy which was published in December 2016. We need to review our strategy each year and make changes to it where appropriate and this update is the outcome of that first review. It sets out how we plan to carry out our procurements for this financial year, 1 April 2018 to 31 March 2019 and beyond, providing some more focus on some of those policies that we aim to support through procurement. The broad principles and policies described in this update are expected to remain relevant until at least 31 March 2020 and so we are also extending the period covered by the strategy until then. We will however continue to review our strategy at least once a year and make changes to it if these are needed. We will publish any new versions on our [website](#).

## Scottish public procurement rules and scope of this procurement strategy

Legislation governs how Scottish public bodies buy their goods, services or works. One of the things that it requires us to do is to publish a procurement strategy, or to review an existing one, to set out how we plan to carry out our regulated procurements for a set period. Regulated procurements are contracts of values of £50,000 and above for goods and services and of £2 million and above for works. Our procurement strategy must include **statements** about how our procurements contribute to the following themes:

- the carrying out of our organisational functions and purpose;
- the delivery of value for money; and
- how our procurements will be carried out in accordance with our general duties which include the sustainable procurement duty (see [section 4](#) for a description of the **sustainable procurement duty**).

These statements are in [Part 1](#) of this procurement strategy.

Our procurement strategy must also include statements about our general policy on:

- community benefit requirements;
- consulting and engaging with those affected by our procurements;
- the payment of the ‘real’ Living Wage to people involved in the delivery of our contracts;
- how we will promote compliance by contractors and subcontractors with the Health and Safety at Work etc. Act 1974;
- the procurement of fairly and ethically traded goods and services;
- how our procurements, involving the provision of food, will improve the health, wellbeing and education of communities and promote the highest standards of animal welfare; and
- paying our invoices (or similar claim) to contractors and subcontractors in 30 days or less.

These statements are in [Part 2](#) of this procurement strategy and are the principal areas that we will monitor in our annual procurement report of our performance against this strategy.

### Public Procurement in Scotland

The Scottish Government is responsible for developing public procurement policy and legislation in Scotland and, like all public bodies, its own procurement activity. These functions are managed through our Scottish Procurement and Commercial Directorate (SPCD). 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 Procurement Reform (Scotland) Act 2014 (‘the 2014 Act’). The 2014 Act provides clear direction to public bodies and sets out clear procurement responsibilities and accountabilities, promoting local decision-making.

We engage with our stakeholders and clients early in projects to improve commercial outcomes. Our role within this landscape is changing from:

- leading process and procedure to one where we strive for even greater impact and influence;
- having a focus on contracting and compliance to also being a critical friend and trusted adviser;
- approving and endorsing to stimulating and challenging approaches; and
- central resourcing to flexible models made up of cross-functional teams.

Public procurement in Scotland has five main objectives: improving supplier access to public contracts; embedding sustainability; maximising efficiency and collaboration; developing people and capability and also delivering savings and wider benefits. This work is collaborative and is overseen by:

- The **Public Procurement Group (PPG)** which makes sure that public procurement in Scotland stays on course to deliver benefits and that obstacles to this are removed or reduced.
- The **Procurement Supply Group (PSG)** which provides an ongoing framework for discussion about, and influence on, public procurement practices as these affect suppliers, in particular, small and medium sized enterprises (SMEs)<sup>1</sup>, the third sector<sup>2</sup> and supported businesses<sup>3</sup> and the trade unions. The PSG is consulted on key policy developments, live issues and priorities.
- The five **Strategic Forums** which are concerned with Best Practice; Collaboration; e-Commerce and Management Information; Policy; and Professional Practice and Development. These groups are responsible for delivering projects and activities that are aligned to public procurement in Scotland and they inform and influence the PPG.

More information about these groups and SPCD's vision, mission and aims is available on our [website](#).

SPCD also provides a range of commercial, property, programme management and project management services for the Scottish Government and the wider Scottish public sector.

### eCommerce and best practice

We provide an eCommerce Shared Service that allows public bodies to carry out procurements and business transactions electronically. eCommerce brings efficiencies and savings to public organisations by reducing the time it takes to get the goods, services and works needed to deliver public services. It brings benefits to suppliers such as providing access to contract opportunities and more efficient ordering and payment processes. These systems are regularly upgraded and developed to ensure that they continue to meet user requirements and deliver additional efficiencies and benefits. We also provide a number of best practice tools to improve and enhance procurement capability. Our [eCommerce](#) solutions and best practice tools are described below:

- **Public Contracts Scotland (PCS)** is a one stop shop for suppliers looking for Scottish public sector contract opportunities. PCS has enabled stronger communication links between buyers and suppliers and the use of it by Scottish public bodies to advertise their regulated contract opportunities is now mandatory.
- **PCS – Tender** is the national e-tendering service that allows suppliers to submit tenders for a public contract in electronic format. It also enables public bodies to manage their contracts and suppliers electronically.

1 SME generally means a company with no more than 250 employees.

2 The third sector, which includes charities, social enterprises and voluntary groups, delivers essential services, helps to improve people's wellbeing and contributes to economic growth. It plays a vital role in supporting communities at a local level.

3 Supported businesses generally mean those businesses for which the core purpose is the social and professional integration of disabled or disadvantaged persons.

- **The online Procurement Journey** provides a single source of procurement guidance and documentation for the Scottish public sector. The purpose of the Procurement Journey is to grow and improve procurement capability across the Scottish public sector by facilitating best practice, standardisation and compliance at all levels from simple purchases to complex procurement exercises. It also makes it easier for potential suppliers of all sizes to bid for public contracts. The Procurement Journey is kept up to date and reflects changes in legislation and policy.
- **The Supplier Journey** provides online guidance to suppliers interested in bidding for public goods and services. We are currently reviewing this guidance and the Supplier Journey will be re-launched in 2018 with updated format and content.
- **The Procurement and Commercial Improvement Programme (PCIP)** can also be found within the Procurement Journey. The programme focuses on the culture, scope and approach of the organisation which manages, supports and enables procurement activity from the identification of a need through to contract delivery. It is based around set questions and other evaluation methods with a detailed examination of activities such as contract management, ensuring that procurements are conducted sustainably and some other indirect areas such as learning and development. Organisations can then, based on the outcome of the assessment, develop an action plan to achieve maximum value

for money and improve their ability when buying goods, services and works. The PCIP has moved into phase two and we are now working to expand the scope of the programme to support continuous improvement.

- **The Scottish Procurement Information Hub** is a sophisticated spend analysis tool that enables public bodies to see their spend, identify who their key suppliers are, highlight spend with SMEs and local suppliers and identify potential collaborative opportunities. It reflects spend from key public bodies.
- **Professional Electronic Commerce Online System (PECOS)** automates the purchase-to-pay (P2P) process from creating shopping baskets, raising orders and presenting valid invoices for payment. It also embeds standard and consistent business workflows and audited approval processes to ensure compliance to procurement and finance guidelines.
- **eInvoicing** is delivered through PECOS and enables the receipt of electronic invoices from suppliers. These are then automatically passed to public bodies for matching and payment in finance systems.
- **Catalogue Content Management (CCM)** is the national hub that manages catalogues that are made available as a result of national, sector or local contracts. CCM allows catalogues to be published in a number of ways that can easily be accessed by purchase to pay systems (including PECOS) that are in use across the Scottish public sector.

- **The European Single Procurement Document (ESPD) (Scotland)** replaced the standard Pre-Qualification Questionnaire in April 2016 and the use of it is now mandatory in Scotland. The introduction of the ESPD is intended by the European Commission to reduce the administrative burden on bidders and to remove some of the barriers to participation in public procurement especially for SMEs. It allows buyers to identify suitably qualified and experienced bidders and replaces the requirement for suppliers to provide up-front evidence or certificates by allowing them to self-declare that they meet the relevant criteria.

We work continuously to develop the capability and skills of buyers and others involved in procurement and commercial activity. We do this through:

- **The Procurement People of Today and Leaders of Tomorrow programme** – which is underpinned by our national procurement competency framework, setting out procurement and commercial standards and facilitating continuous professional development and career paths.
- **The Procurement People of Tomorrow programme** – which focuses on encouraging, enabling and developing new entrants in our profession across Scotland.
- **The Scottish Government Delegated Purchasing Officer Scheme** – which ensures that those accountable for procurement within the Scottish Government have the necessary qualifications, training or experience for their level of delegated accountability.
- **The emerging Commercial Capability Programme** – which seeks to improve commercial outcomes through targeted training and earlier engagement of procurement with clients and commissioners.

## PART 1

# 2. Carrying out our functions and purpose

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**In this first part of our procurement strategy we describe our key strategic priorities and describe how our procurements will contribute to the delivery of those priorities by reference to some examples.**

The Scottish public sector spends over £11 billion a year buying goods, services and works. We use this spend to achieve improvements to what we buy and how we buy it. For example, simplifications that can be made to improve supplier access to public contracts can help to support economic growth.

The Scottish Government's **Purpose** of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth remains central. 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. Different organisations are now working towards shared goals which are defined in terms of benefits to the people of Scotland rather than simple efficient service delivery.

To meet this expectation the sustainable procurement duty has been aligned with the National Performance Framework. The National Outcomes and Indicators are embedded in the [sustainable procurement duty tools](#) which provide a structured approach to what we procure. They help to identify opportunities to include economic, social, and environmental considerations in contracts and show how our procurement activity contributes to the National Outcomes and, in turn, to Scotland's Economic Strategy.



Using the [prioritisation methodology](#) at an organisational and category level and the [sustainability test](#) in our individual procurement projects we identify a range of sustainable outcomes under the following broad headings:

- Bio-security;
- Bio-diversity (protection and enhancement);
- Climate change (carbon and energy consumption, carbon in production, adaption, carbon in vehicle emissions);
- Communities (including rural communities);
- Employment (opportunities to achieve skills and training; to encourage SMEs, social enterprises, supported businesses as main providers or to form part of the supply chain);
- Equality (protected characteristics);
- Fair and ethical trading (working conditions, conflict materials);
- Fair Work;
- Hazardous materials/emissions;
- Heritage (protection and enhancement);
- Materials (scarcity, security);
- Security and crime (impact and improvement);
- Water (consumption and production); and
- Waste (production, reuse, recondition, remanufacture).

The prioritisation methodology allows us to see where there is the most scope to do things differently and where we have the most influence on the market so that we recognise the best opportunities in our procurement activity.

Compliance with the sustainable procurement duty is the recommended 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 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; and
- promoting Scotland on the **international stage** to boost our trade and investment, influence and networks.

We design our contract and procurement process 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 SMEs, the third sector and supported businesses. Some examples of how we do this are described on the next page.

## Inclusive Growth

We have defined inclusive growth as 'growth that combines increased prosperity with tackling inequality; that creates opportunities for all and distributes the dividends of increased prosperity fairly'. Inclusive growth incorporates the traditional growth policies of investment, innovation and internationalisation, while tackling inequalities in outcomes and inequalities in opportunity. Inclusive growth is multi-dimensional and includes social inclusion, wellbeing, participation, as well as the environment. It promotes growth in Scotland's cities, regions and rural areas recognising the importance of place and community to the delivery of inclusive growth across Scotland.

Scotland's Economic Strategy states that Scotland aims to be:

**'a society that promotes inclusive growth and creates opportunity through a fair and inclusive jobs market and regional cohesion to provide economic opportunities across all of Scotland'**

Scotland's Economic Strategy

Public procurement contributes to inclusive growth, for example, by:

- providing training and employment opportunities;
- driving fair work practices;
- promoting equality and tackling inequality; and
- seeking low carbon solutions.

For example, the Scotland Act 2016 transfers a wide range of powers to Scottish Ministers most significantly the powers over social security and employment support. These powers and the supporting commercial arrangements are important as they underpin some of the aims in our Economic Strategy and Scotland's National Purpose. This will include the use of contracting and commissioning models that enable collaborative working and adopting a person centred approach.

## Investment

Procurement underpins our investment in people, infrastructure and assets. For example, a [competitive dialogue](#) procurement process for Next Generation Access (NGA) Infrastructure as part of the reaching 100% Superfast Broadband Programme commenced in December 2017. The resulting public investment will ensure premises in Scotland have access to Broadband Infrastructure capable of delivering speeds of at least 30 Mbps by the end of 2021. This will build on the deployment that has been, and will be, realised through the two Digital Scotland Superfast Broadband programmes (Highlands and Islands and the Rest of Scotland) and through commercial roll-out. This procurement seeks to support our 2017 Digital Strategy refresh entitled 'Realising Scotland's full potential in a Digital World' and is noted as a commitment in the Scottish Government's Programme for Government 2017-18.

## Innovation

Public procurement has a key role to play in supporting and promoting innovation in the way public sector services are provided in Scotland. The sustainable procurement duty requires public bodies to consider innovation for regulated procurements. The procurement rules also encourage innovation in public procurement through new and revised procedures. For example, we have introduced a Dynamic Purchasing System (DPS) for Digital Services. This innovative and completely electronic approach encourages SME participation and drives wider competition for digital projects, resources and cyber services. Suppliers can join the DPS at any time and it has over 250 suppliers of which 81% are SMEs. While at the early stages of delivery, we will be looking to expand the use of dynamic purchasing systems to other commodity areas.

We are also working to identify “pathfinder” projects that will help drive innovation. Current examples of how procurement can support innovation include our [Non Domestic Energy Efficiency Frameworks](#) and also [CivTech](#)<sup>®</sup> which are described in more detail below.

### ***Non Domestic Energy Efficiency Frameworks***

In March 2016 we set up a new framework for Non Domestic Energy Efficiency (NDEE) with an estimated value of up to £300 million over four years. The NDEE framework is innovative in the way that it covers multiple and diverse energy efficiency and renewable energy solutions under one contract. We involved industry extensively when designing the framework and used the sustainable procurement tools to help develop the associated procurement strategy. The framework covers environmental, community benefit and fair work considerations. Expected benefits include:

- savings in energy and maintenance costs;
- a direct contribution to our target to reduce climate change emissions;
- reduced costs to the public and third sector; and
- delivery of energy efficiency work to meet the Assessment of Non-Domestic Buildings (Scotland) Regulations 2016.

By using key performance indicators developed specifically for this framework public organisations can track and report progress across a range of environmental and socio-economic outcomes. So far, four campus wide college projects and one local authority project, for eight buildings, have been awarded. All of these projects involve multiple buildings. The college projects are a mix of efficiency and renewable energy generation across campuses. More projects will be awarded in 2018.

### **CivTech®**

Our 'CivTech®' programme also addresses public service challenges in an innovative way. The project involves public organisations setting civic challenges which smaller businesses are encouraged to tackle using innovative solutions. It enables the rapid development of creative, cost-effective solutions delivered by those businesses. CivTech® is providing pathways for tech SMEs and start-up businesses to secure public sector contracts. It offers real opportunities to deliver even better services for people and even better value for service providers. The CivTech® approach is valued in procurement because of the innovative way it finds solutions to challenges.

Our key aim is to deliver innovation in procurement to address public sector challenges and we will continue to work with our partners and use the flexibilities in the public procurement rules that enable us to do this. Public procurement will continue to support innovative and agile ways of working to deliver digital public services and public service reform. This commitment is reflected in the [Scottish Government's Digital Strategy](#).

### **Internationalisation**

We value Scotland's trading relationships with other nations and believe that fair competition supports economic growth. We treat all suppliers fairly, equally and without discrimination. Our involvement with suppliers and supply chains is aimed at developing their potential to bid for public contracts whether these are advertised in Scotland, the UK or further afield. To achieve our vision of being 'world leaders in innovative public procurement', we work with UK, European and global networks to set standards and share best practice. For example, Scotland is a member of the **Public Procurement Network** which covers the EU and countries seeking accession to the EU. The network provides a mechanism for sharing good practice and is an informal problem solving mechanism in the event of cross border disputes about market access.

We have also been named as a **subnational pioneer country** as part of an international initiative under the **Open Government Partnership**. This is aimed at government and civil society working together to develop and implement ambitious open government reforms one of which is public procurement. As part of the Open Government Partnership Scottish National Action Plan 2017 we developed the [Scottish Procurement Open Contracting Strategy](#). That strategy states our intention to publish even more coherent and consistent procurement information in a format that is useful and easily understood. We also outlined our phased approach to implementation where we gradually increase the amount and types of information we publish.

Also, in May 2018 the data protection rules will change. To ensure that all current and future procurement exercises are compliant with the new legislation we have updated our own general [Terms and Conditions](#) that apply to our contracts to ensure that these properly reflect the new legislation. We also take cyber security matters very seriously and the Scottish Government issued its cyber resilience strategy [Safe, Secure and Prosperous: A Cyber Resilience Strategy for Scotland](#) in November 2015. Since then, the

Scottish Government has also agreed a [Public Sector Cyber Resilience Action Plan](#) and [Cyber Resilience Implementation Toolkit](#) with public bodies and issued these on 8 November 2017.

Overall, we help to deliver our key priorities through what we buy and how we buy it, which includes considerations of the wider economic and social impact of our contracts and how we manage our supply chain.

### 3. How our procurement activity contributes to value for money

This section describes how our procurement activity contributes to value for money. Procurement is a key enabler in delivering Scotland's Economic Strategy and contributing to sustainable economic growth. We will continue to work together with the public, private and third sectors to deliver maximum value through public procurement activity.

Our involvement in public procurement is far broader than buying on behalf of Scottish Ministers. We also buy for the public sector and other organisations in Scotland and provide procurement support to Scottish Government agencies and non-departmental public bodies (NDPBs). Our contracts deliver a wide range of economic, social and environmental benefits as well as significant financial savings for the public sector. Our contracting activity covers three main areas:

- **Contracts we let for Scottish Government use only.**
- **Sectoral collaborative frameworks.** These are let by the Scottish Government for use by the central government family of organisations which includes agencies and non-departmental public bodies.
- **National collaborative frameworks and contracts.** We provide framework agreements and contracts for commonly purchased goods and services which are used across the public sector.

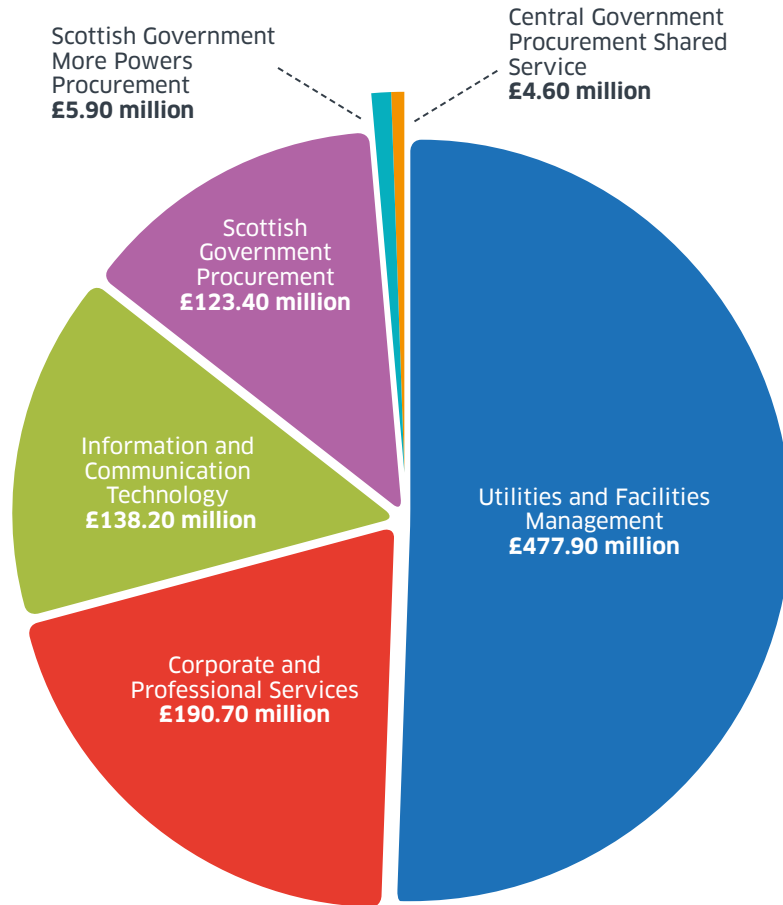
A description of what we mean by both national and sectoral collaborative frameworks is included further below.

Details of the contracts that we have placed can be found on [PCS](#). In the financial year 2016-17 our portfolio of contracts was valued at over £940 million and delivered savings of more than £143 million. These figures are broken down against procurement portfolio in the **table and charts** immediately below and opposite.

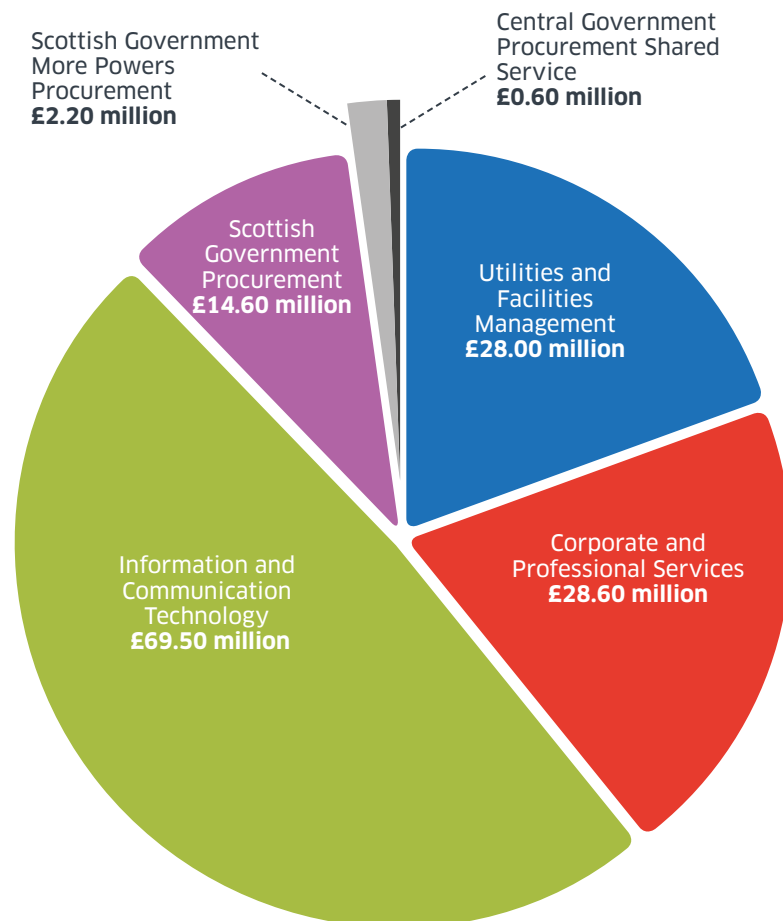
Portfolio	Spend (£m)	Saving (£m)
Utilities and Facilities Management	£477.90	£28.00
Corporate and Professional Services	£190.70	£28.60
Information and Communication Technology	£138.20	£69.50
Scottish Government Procurement	£123.40	£14.60
Scottish Government More Powers Procurement	£5.90	£2.20
Central Government Procurement Shared Service	£4.60	£0.60
<b>Total</b>	<b>£940.70</b>	<b>£143.50</b>

**Table 1** Procurements led by us – spend and savings by portfolio 2016-17

## Spend



## Savings



## Collaborative frameworks and contracts

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

From 2008-09 to 2016-17 we have delivered over £740 million in savings through buying common goods and services on behalf of the public sector. Delivered savings against collaborative contracts (both current and new) in the three-year period 2016-17 to 2018-19 are expected to exceed our £256 million target.

## Forward plan of our collaborative contracts

We publish a [forward plan](#) of our national and central government sector collaborative opportunities along with collaborative opportunities covering the health, higher education and local authority sectors in Scotland and which may be advertised over the next 12 to 18 months.

## Value for money

Our 2018-19 budget provides the resources to deliver the vision set out in the Programme for Government and to strengthen the social contract. In light of wider uncertainties however (for example, Brexit and also the continued challenging financial circumstances) it is increasingly important that public sector procurement continues to deliver value for money. We aim to achieve this by:

- working closely with the people who use the goods and services we buy to help understand their requirements;
- understanding the markets we work in;
- awarding contracts on the basis of fair, open and transparent competition which is in proportion to the contract in question and which keeps to our legal obligations; and
- making sure that our contracts are effective and managed efficiently.

Also, we removed the option in our procurement legislation for EU regulated contracts to be awarded on the basis of lowest cost or price only, recognising that value for money is rarely achieved by simply accepting the lowest priced bid. Our approach to this is described in more detail at [section 5](#). We also encourage public sector organisations in Scotland to take part in the Procurement and Commercial Improvement Programme to help them to report on their levels of procurement capability.



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## 4. Some other key policies and principles linked to public procurement

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### Sustainable procurement duty

The 2014 Act describes the sustainable procurement duty as “the duty of a contracting authority –

- (a) before carrying out a regulated procurement, to consider how in conducting the procurement process it can –
  - (i) improve the economic, social and environmental wellbeing of the authority’s area;
  - (ii) facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process;
  - (iii) promote innovation, and
- (b) in carrying out the procurement, to act with a view to securing such improvements identified as a result of paragraph (a)(i).”

This means that public bodies need to think about how each regulated procurement process carried out by them can improve the economic, social and environmental wellbeing of their area as well as facilitating the involvement of SMEs, third sector bodies and supported businesses and supporting innovation and to act on their findings.

Compliance with the sustainable procurement duty ensures that procurement activity is aligned to a range of policy priorities that are described in the National Performance Framework. The relationship between Scottish Government priorities and the sustainable procurement duty is described in more detail at [section 2](#) of this document. Compliance with the duty also helps us to meet other legal obligations on procurement including human rights, equality and climate change obligations.

### Human rights and equality

The Scottish Government is clear that individuals must be able to enjoy their human rights in full, must be treated fairly and without discrimination and must be able to make properly informed choices. This includes being able to participate effectively where decisions are made by a public body which impact upon their rights, whether services are delivered directly or are procured from third parties. We are committed to meeting our obligations under international human rights treaties. We are also working to implement the UN *Guiding Principles on Business and Human Rights* (UNGPs) which cover situations where the state either contracts with, or legislates for, business enterprises to provide services that may impact upon the enjoyment of human rights.

The Equality Act 2010 imposes both general and specific duties on public bodies including the Scottish Government. In essence, these duties require the Scottish Government, when delivering policy, to have due regard to the need to:

- eliminate discrimination;
- advance equality of opportunity; and
- foster good relations between people who share protected characteristics<sup>4</sup> and people who do not.

In common with wider human rights obligations the responsibilities imposed by the Equality Act 2010 cannot be transferred or delegated. More information about how equality considerations apply in our procurement process is available on our [website](#).

Our approach to the sustainable procurement duty provides a mechanism to ensure consistent identification of opportunities to advance equality and reduce inequality. In addition the Scotland Act 1998 in combination with the Human Rights Act 1998 ensures that both Scottish legislation and the actions of public bodies are subject to an overriding legal requirement to comply with core human rights standards contained in the European Convention on Human Rights. Public bodies are also expected to act consistently with the

requirements of other instruments, such as the International Covenant on Economic, Social and Cultural Rights and the European Social Charter. A list of relevant treaties ratified by the UK can be found on the websites of the [UN](#), [Council of Europe](#) and [International Labour Organization](#). Also, in April 2017 provisions of the Children and Young People (Scotland) Act 2014 came into force for listed public authorities, which reinforce our commitment to consider how to support improved outcomes in relation to children's rights.

### Climate change targets

Our procurements contribute towards delivering the targets in climate change legislation. A core component of sustainable procurement is the reinforcement of other Scottish Government policies such as the [Circular Economy Strategy, 'Making Things Last'](#). The sustainable procurement tools identify opportunities to make appropriate use of and to protect Scotland's natural resources in the following areas:

- Climate change in the form of low carbon initiatives.
- People and nature in the form of biodiversity, landscapes and natural heritage initiatives.
- Consumption and production in the form of waste reduction and energy efficiency initiatives.

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<sup>4</sup> Under equality legislation, the protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

## 5. Sustainable procurement and our approach to engaging SMEs, the third sector and supported businesses

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The sustainable procurement duty compels us to think about how our regulated procurements will improve Scotland's social, environmental and economic wellbeing with a particular focus on reducing inequality. It also requires us to facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in our procurements which are designed in a way that encourages them to be involved. We also want to use procurement to encourage innovation.

Our 2016 Small Business Survey Scotland was published in August 2017 and showed that 63% of SMEs with employees were looking to grow their sales over the next three years. Also, the [Social Enterprise Census](#) was published in September 2017 and 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.

We have already taken a number of significant steps to improve our processes to encourage a range of organisations to bid for public contracts including:

- easier access to public contracts;
- improved ways for suppliers to give and receive feedback;
- removal of the option in our procurement legislation for public contracts to be awarded on the basis of lowest cost or price only; and
- more scope to reserve contracts for supported businesses.

These opportunities are described in more detail on the next page.

### Easier access to public contracts

We have introduced a comprehensive and joined-up set of tools, policy support and guidance to simplify our processes and to increase access to information and opportunities for buyers and suppliers. These include our PCS website and the Procurement and Supplier Journeys which are summarised at [section 1](#) of this document. The Supplier Development Programme also continues to run supplier focused events and works with partners and external organisations to help SMEs and third sector organisations win work and to grow their business.

The 2014 Act requires public bodies to consider how they might facilitate the involvement of SMEs, the third sector and supported businesses. It makes it easier for them to find and win contracts by ensuring that contract opportunities are advertised through PCS cementing the website's role as the 'one-stop shop' for procurement opportunities in Scotland. Public bodies must use PCS to advertise all regulated procurements. It also facilitates 'Quick Quote' which is a simple competitive process for procurements below the regulated thresholds. PCS can also be used by suppliers of higher value contracts to advertise subcontracting opportunities including for SMEs. We know that 60% of the suppliers awarded contracts through PCS during 2016 were SMEs located in Scotland.

We continue to develop our collaborative procurement strategies to also take account of the potential economic impact on and ease of access for SMEs and third sector organisations. As a result, we split national requirements into specialist or geographical lots and provide supply chain opportunities wherever possible. The use of lots is a conscious decision by purchasers to split large requirements into a number of smaller ones with the intention being that smaller firms that might not be able to bid for the overall large requirement may be able to bid for a small 'lot'. Currently, more than 50% of our collaborative suppliers are SMEs. A notable example is the suite of marketing services which was awarded in summer 2017. All 23 suppliers are SMEs – 19 are Scottish SMEs, while another three are SMEs with a significant Scottish presence. We will continue to use lotting strategies and frameworks for our national contracts where appropriate to enhance opportunities for a range of organisations and for those operating niche markets and in local areas.

Our Scottish Procurement Information Hub identifies that, where the size of the supplier was known, SMEs were direct recipients of 49% of annual public sector procurement spend in 2015-16.

Our legislation requires that suppliers receive feedback on their bids for regulated procurements. We also provide the Single Point of Enquiry (SPoE) service which aims to provide an impartial and confidential service to help suppliers who are having issues or concerns about a procurement exercise carried out by any Scottish public sector organisation.

As well as providing funding to the Supplier Development Programme we currently fund 'Partnership for Procurement'. This is a programme that provides a range of support specifically to third sector organisations wishing to form consortia to bid for public sector contracts. We also deliver support and training for third sector organisations linked to the Just Enterprise third sector contract. Also, the Developing Markets Contract, which ran from 2011-2017, was set up to increase understanding in the public sector of community benefits, to implement sustainable procurement with respect to the third sector and to support the use of [Public Social Partnerships](#). The Scottish Government is currently reviewing both the Just Enterprise contract and the Public Social Partnership model and is developing its future approach with a view to further increasing third sector involvement in procurement.

### **Removal of the option for public contracts to be awarded on the basis of lowest cost or price only**

In 2016 we removed the option in our procurement legislation for higher value public contracts (i.e. above EU regulated thresholds) to be awarded on the basis of lowest cost or price only. This means that public bodies in Scotland must consider other factors associated with the quality of products and services and that can have wider economic benefits. Our 2016 statutory guidance [Selection of Tenderers and Award of Contracts](#) makes it clear that this approach should also be applied to award criteria for lower value regulated contracts below the EU threshold levels.

### **Reserving contracts for supported businesses**

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, where there are enough suitable suppliers, without opening the opportunity up to wider market competition. This approach recognises that supported businesses have a valuable role both as a stepping stone into mainstream employment for disabled and disadvantaged persons as well as for those who are unable to progress on to the open labour market.

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 a wider range of social enterprises now covered by the change in definition of a supported business for the purposes of public procurement legislation. As a first step, an online register comprising social enterprises and supported businesses across Scotland was established in October 2017 and is embedded within the Partnership for Procurement website ([P4P](#)).

Also, the supported business framework provides 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

The current framework runs until September 2018. It will ensure continued access to the market for those supported businesses which are on the framework while we continue to consider how we best facilitate market access for supported businesses.

We continue to take the engagement of SMEs, the third sector and supported businesses in public contracts very seriously including when we are considering how our contracts are advertised and awarded in Scotland. We recognise the link between this and local economic, social and environmental wellbeing. There is always more to do and we are committed to ongoing improvement in our procurement approaches to support a stronger economy and the ongoing support of a range of commercial organisations across Scotland.

We will prepare our first annual procurement report under the 2014 Act later this year to reflect on our performance against our procurement strategy. It will include a summary of any steps we have taken to involve supported businesses in regulated procurements.

## PART 2

# 6. Our Policies

This second part of our procurement strategy describes those specific policies that we aim to support through public procurement.

The Scottish public sector spends **over £11 billion** each year buying goods, services and works. This is a significant sum and it is right that people expect it to be spent in a way that aims to deliver the most benefits possible to society. We design our procurement policies with that aim in mind while also carrying out procurements that are legal, transparent and fair.

Our procurement policies shape and support public procurement activity across Scotland. For example, we are responsible for giving effect to EU procurement directives in Scots law. When the last directives were published in 2014 we carried out a public consultation about the policy options available to us. Taking account of the views expressed in that consultation we have reflected a number of policies which have wider benefits (e.g. social, environmental) in our procurement law and also in statutory guidance which public bodies must comply with. We developed statutory guidance on Fair Work practices, for example, for use by public bodies when buying goods, services and works.

In this part of our updated strategy we set out our general policies and also a statement on how we will monitor those policies over the period of the strategy and reflect on them in our annual procurement report.

## 6.1 Our policy on applying community benefit requirements in our contracts

### Background

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”.

The use of community benefits in our public contracts helps us to deliver wider social and economic benefits as part of our public spending decisions. Scottish public bodies must now consider the use of community benefits for regulated public contracts.

### Our policy

We use community benefits in our public contracts where possible. Community benefits help to deliver, for example, better employment opportunities and we have achieved a range of recruitment, training and other opportunities for SMEs, the third sector and supported businesses as a result of the use of these. We consider community benefit opportunities at the development stage of our regulated procurements and handle these in one of two ways:

1. **Mandatory or contractual** – In this scenario we ask bidders to deliver community benefits (for example, targeted training, recruitment and other opportunities in the supply chain) as part of a contract specification. These requirements then form part of the tender evaluation and may be scored.

We use this approach if:

- the contract is of high value;
- it is of medium to long term; and
- where it is clear that including a community benefit in a contract could add to its social or economic effect.

2. **Voluntary** – We use this approach in cases where it is not appropriate to make community benefits a mandatory requirement for all bidders. We ask that voluntary community benefits are only offered where these do not place too much of a burden on the bidder but may result in the contract delivering extra value. We ask bidders

to consider what community benefits they can offer as part of their bid. In this scenario community benefits are not part of the tender evaluation. Where a bid is accepted, any offer of community benefits is included in the contract to be signed by the bidder.

### Monitoring

Our contract award notices for regulated contracts record whether we expect our contractors to deliver any community benefits. We also record any community benefits that have been delivered as part of our contract management arrangements. Contract notices for our regulated procurements are published on our national public procurement advertising portal, [PCS](#). We collect information about delivered benefits and will report on these in our annual procurement report of our performance against our procurement strategy.

### Impact of Scottish Government policy

Community benefits contribute to a number of national outcomes including more and better employment opportunities and tackling inequality. Scotland has been recognised as a leader in promoting social and economic benefits to communities through its public procurements<sup>5</sup>. 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.

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5 <http://www.gov.scot/Topics/Government/Procurement/ScottishProcurementcasestudyfeaturesinreportonmeas>



As a result of our procurement legislation all Scottish public bodies must consider the use of community benefits for regulated procurements. They must also explain in the contract opportunity notice 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.

For example the Fair Start Scotland programme will deliver new employment services for those who want to work and need help to enter into, and remain in, work and will begin from 3 April 2018. It will provide a range of support intended to respond flexibly to individual needs. A key element of the procurement exercise for this was to ensure that service providers would embrace the delivery of community benefits through the contract and that these benefits would be built into service delivery.

More information about [community benefits](#) is available on our website.

## 6.2 Our policy on consulting and involving people affected by our procurements

### Background

We consult with and involve people from all sectors with an interest in our work in many ways. For example, the private sector, third sector and trade unions are represented on our Procurement Supply Group and the public sector is represented on our Public Procurement Group. A brief description of the functions of these groups is described at [section 1](#).

### Our policy

Where appropriate we work with people who use services, potential suppliers and others to help us design procurements. This can vary from market research to supplier engagement days or the design and piloting of services. For national contracts we may involve people who use services through 'user intelligence groups', for example, and for other contracts we match the involvement of people to the specific circumstances. Our 2017 Interpreting, Translation, and Transcription Services Framework illustrates this approach. It provides access to public services for those whose first language is not English and who would otherwise be excluded from using those public services.

We embarked on a broad engagement plan consulting with, amongst others, people who use services, business, courts, equality and human rights representatives. When the tender documents were released a supplier day helped the market to understand the procurement process and how to submit a bid. The views of the market and stakeholders informed the tender documents for the framework. As a result, the operating procedures were changed to streamline the ordering process. We have also incorporated counselling and assistance for interpreters and increased security standards into the framework. Our supplier also commits to paying the 'real' Living Wage to staff and freelance linguists.

### Monitoring

We record any complaints about failure to consult on any of our contracts and our annual procurement report on our performance will look at these. It will include information about any conclusions we reach and any measures taken in response to complaints.

### Impact of Scottish Government policy

It is particularly important to involve people in social care procurements. This is because the quality or availability of these services can have a significant impact on the quality of life and health of people who might use them. Also services are becoming increasingly personalised to better meet people's needs which, in turn, can have implications for how support is planned and purchased.

As an organisation, we do not buy many of these services directly, as these are often bought by local authorities, integration authorities and sometimes health boards but we do recognise the importance of these to people who use them. For that reason we have set out in our procurement guidance that, where public bodies do buy these services, they should involve people who use the services. They may also take account of the following issues among other things:

- the quality, continuity, affordability, availability, comprehensiveness and accessibility of the service;
- the needs of different types of people who use services and their carers; and
- innovation.

In 2017, our Procurement Journey was enhanced to include our specific guidance about the procurement of health or social care services. This also helps public sector buyers and suppliers take account of these issues when they are either placing or bidding for these contracts. Our approach is to encourage the involvement of people in public procurements more generally. It balances procurement legislation with the principles of best value and also outcomes for people. Our current Scottish procurement regulations and guidance came into force on 18 April 2016.

Our approach is also in line with wider Scottish Government guidance on strategic commissioning. One of the key principles of that guidance is that the commissioning process should be equitable and transparent and open to influence from all stakeholders via ongoing dialogue with people who use services, their carers and providers.

### 6.3 Our policy on Fair Work practices including paying the 'real' Living Wage to people involved in delivering our contracts

#### Background

We believe that Fair Work practices are central to improving business, society and the lives of individuals and their families.

Fair Work balances the rights and responsibilities of employers and workers and can generate benefits for individuals, organisations and society. Fair Work is defined through five dimensions: fulfilment; security; opportunity; respect and effective voice. These dimensions cover the ability of workers; to have a say and to influence and change working conditions; to both access and progress in work; to have fair working conditions and to be treated fairly at work. Further details can be found in the [Fair Work Framework](#) published by the Fair Work Convention.

The Scottish Government considers that the payment of the ['real' Living Wage](#) is one of the clearest ways a potential supplier can demonstrate that it takes a positive approach to its workforce, particularly when adopted as part of a wider package of Fair Work measures. This may include, for example, adopting working practices which do not exploit workers and tackling gender pay gaps. The 'real' Living Wage is an hourly rate set independently and updated annually by the Living Wage Foundation. A business's Fair Work practices can have a direct impact on the quality of service it delivers and sometimes, on the goods it supplies and works performed through public contracts.

The Scottish Government also invites Scottish businesses to sign up voluntarily to the [Scottish Business Pledge](#). The Pledge is a shared ambition of boosting productivity, competitiveness, sustainable employment and workforce engagement. It has nine key elements at the heart of which is the payment of the 'real' Living Wage.

#### Our policy

We became an accredited Living Wage employer on 1 June 2015. This means that we have made a commitment to pay at least the 'real' Living Wage to all of our directly employed staff and to address the payment of the 'real' Living Wage to contractors working on our premises, including those delivering our catering and cleaning services. Our policy is to consider Fair Work practices as early as possible in all of our procurements. This makes sure that, where it is relevant to how the contract is carried out, assessing a business's approach to fair employment including the payment of the 'real' Living Wage can be included as an important part of the procurement exercise.

So far we have targeted this policy by including award criteria in contracts which are proportionate and relevant to the contract and taking into account a range of factors. We have found that there are two main things to consider:

- The extent to which the quality of the delivery of a contract can be affected by the way those working on it are engaged.
- Any risk that suppliers could use unfair employment practices - e.g. by not offering the 'real' Living Wage, or where workers are not offered stability of employment such as through the inappropriate use of zero hours contracts.

As a result of this robust approach we have secured a range of Fair Work practices, including the payment of the 'real' Living Wage, in a number of our significant contracts.

Our catering tender piloted our approach to Fair Work practice. All five bidders made a commitment to pay staff the 'real' Living Wage and also included other Fair Work related practices in their tenders. The successful bidder included proposals to directly improve conditions for workers. Also, in the contract to supply our water and waste-water billing services the provider pays at least the 'real' Living Wage to those who deliver the contract and has also signed the Scottish Business Pledge.

The Warmer Homes Scotland contract provides energy-efficiency measures for homes in vulnerable communities. As part of the delivery of this contract we have taken particular care to make sure all households, including those in more remote parts of the country, get the same level of service as those in urban areas. The contract ensures fair working conditions including the 'real' Living Wage for those delivering the contract and also those involved in the subcontracting supply chain. It makes sure that our suppliers are providing jobs, training and work placements.

### Monitoring

We record any commitments made by suppliers to pay the 'real' Living Wage in our contract award notices which are published on our national public procurement advertising portal [PCS](#). These will be included in the annual procurement report of our performance against this strategy.

Robust procedures have been introduced to help all those involved in procurement across the organisation to consider our policy on Fair Work practices in all relevant contracts. We monitor performance through our contract and supplier management. We also aim to ensure a consistent approach across the wider central government sector by offering support and guidance as part of our responsibility to increase procurement capability in the sector.

### Impact of Scottish Government policy

We are leading by example and were the first government in the UK to adopt the 'real' Living Wage in our public sector pay policy. In October 2015 we published statutory guidance on [Addressing Fair Work Practices](#) including the Living Wage in Procurement. This guidance has been built into our Procurement Journey at all relevant stages to help ensure best practice.

Through our national policies we are promoting the payment of the 'real' Living Wage in public sector contract settings where low pay can be an issue. These include commitments made by the Scottish Government and local government to pay the 'real' Living Wage from 1 October 2016 to care workers providing direct care and support to adults in care homes, care at home and housing support. This decision benefits up to 40,000 people and has recently included extending the Living Wage to cover sleepover hours during 2018-19.

Also, as part of the expansion to 1140 hours of funded Early Learning Childcare (ELC) entitlement, a new *Funding Follows the Child* approach which will safeguard and prioritise quality whilst increasing choice for parents and carers will be introduced by 2020.

The Scottish Government is committed to providing the funding to enable payment of the 'real' Living Wage to all childcare staff in private and third sector providers who are delivering the funded early learning and childcare entitlement by 2020. The Scottish Government is working closely with local authorities and delivery partners in particular through the ELC Service Models Working Group on the development and implementation of the *Funding Follows the Child* approach and on delivering the ELC 'real' Living Wage commitment.

We are committed to supporting the work of the Fair Work Convention whose vision is 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. This includes extending the use of the 'real' Living Wage in Scotland and fully supporting the three year strategy (2018 to 2021) to make Scotland a Living Wage nation.

## 6.4 Our policy on making sure our contractors and subcontractors keep to the Health and Safety at Work Act 1974 and any provision made under that Act

### Background

Our aim is to be a leading employer in the delivery of health and safety and to ensure the wellbeing of our staff and those that deliver our contracts.

### Our policy

We want to prevent or reduce any workplace factors that may cause ill health and injury and by managing risk proportionately, sensibly and practically. We believe that it is important that those bidding for our contracts are also able to show that they are responsible and respect any health and safety obligations. That is why it is a standard condition of our contracts that the contractor must keep to all laws that apply, all requirements of regulatory organisations and industry good practice. This includes any relevant health and safety law. Also, whenever a contractor's staff are on our premises, under the terms of our standard contracts, they must keep to our own health and safety requirements.

### Monitoring

We revise our contract management arrangements to make sure that we include information about health and safety incidents related to delivering our contracts and any measures that we take to put things right. This information will be included in the annual procurement report of our performance against this strategy.

## Impact of Scottish Government policy

The European Single Procurement Document (ESPD) is a document that is used by bidders to self-declare that they have the capability and capacity to deliver a contract. More detail about the ESPD can be found in [section 1](#) of this document. Our ESPD guidance gives all public sector buyers advice about how to apply selection criteria about, amongst other things, a bidder's approach to health and safety.

### 6.5 Our policy on procuring fairly and ethically traded goods and services

#### Background

The sustainable procurement duty requires public bodies to consider how they can improve their area's economic, social and environmental wellbeing with a particular focus on reducing inequality and to act in a way to secure these improvements.

This includes taking a robust approach in procurement processes to tackling criminal activity including, human trafficking and exploitation, modern slavery, corruption and fraud and also to promote positive practices. Respecting human rights, for example, can have business benefits such as enhancing reputation and brand value, increasing the customer base, attracting and retaining a diverse skilled workforce (which can in turn increase innovation and productivity) and reducing risk of court proceedings.

#### Our policy

Considering the risks and opportunities at an early stage in a procurement process enables us to take account of ethical issues when assessing a bidder's overall suitability and reliability to be awarded a contract. This includes considering whether the bidder has been convicted of certain offences or has committed any acts of professional misconduct while running their business.

Early consideration during the procurement process of ethical issues also enables us to consider opportunities to promote positive outcomes. For example, we use contract criteria to encourage transparency in the supply chain which, in turn, supports positive practices and is in line with our Fair Trade Nation status to promote the use of fairly traded goods and services.

Contract and supplier management are key and appropriate measures are adopted on a case by case basis. Our collaborative ICT team were an early adopter of the **sustainable procurement tools** for our **collaborative ICT products agreements** with a developing focus on ethically traded supply chain; see [case study](#). A balanced scorecard has been created for contract management of these agreements and we work closely with suppliers to monitor practices and mitigate potential risks associated with human rights and/or ethical procurement risks in the supply chain.

Also, in line with our legislative requirements we have updated our standard contract terms and conditions to allow for contract termination in the event of failure by a contractor to comply with its legal obligations in the fields of environmental, social or employment law. We also published a Scottish Procurement Policy Note (SPPN) in 2016 (09/2016) [Ensuring compliance with environmental, social and labour laws](#) to encourage all public bodies to consider a similar approach.

### Monitoring

Our annual procurement report will include a statement about the effectiveness of our selection procedures and we are keeping a central record of the value of fairly traded products bought or sold under our catering contract.

### Impact of Scottish Government policy

The UN Guiding Principles on Business and Human Rights are based on a framework which includes business responsibility to respect human rights and to remedy any negative impacts. Our [International Development Strategy](#) includes a 'do no harm' approach to sustainable development. This recognises that by buying fairly and ethically-traded goods and services our choices and actions can have positive outcomes for people and communities locally, nationally and internationally.

Our 2017-18 Programme for Government includes a commitment to review our National Performance Framework to embed the UN Sustainable Development Goals and put human rights at the heart of how we assess national performance. We will update our sustainable procurement tools to ensure that our procurement decisions align with this benchmark.

The Scottish Parliament unanimously passed the Human Trafficking and Exploitation (Scotland) Act 2015. In May 2017 we published the [Trafficking and Exploitation Strategy](#) which sets out our approach and commitment to tackling human trafficking. Implementation groups have been set up to support the delivery of the three action areas under the strategy. Action area three - *Address the conditions that foster trafficking and exploitation* - will include a focus on what procurement can do to help tackle this issue.

### 6.6 Our policy on using contracts involving food to improve the health, wellbeing and education of communities in Scotland and promote the highest standards of animal welfare

#### Background

We recognise that buying food and drink can have major social, economic and environmental impacts. It can have benefits on community health, wellbeing and social justice through access to good nutrition including fresh and seasonal produce and training opportunities.

#### Our policy

As an organisation we seldom buy food directly but we do use our catering framework to achieve a range of benefits. Our approach is to make sure that this keeps to government policies on healthy eating and nutrition, promoting fresh, seasonal, fairly traded and local produce and to UK buying standards. These standards take account of factors including, production, traceability, authenticity, origin, ethical trading, animal welfare, environmental standards and health and waste.

Leading by example, the Scottish Government's catering contractor was accredited with the Soil Association, Food for Life Catering Mark Silver Award across the four main Scottish Government sites. The service provider also holds the Healthy Living Plus award within all of its Scottish Government restaurants. Our catering contractor also works with local communities to provide work placements and is committed to paying its staff at least the 'real' Living Wage.

Our catering contract provides that:

- all fresh beef, lamb, pork (not including bacon) and baked goods are Scottish;
- all fresh fish is accredited by the Marine Stewardship Council (MSC);
- all eggs are free-range;
- almost all milk and cream used in food preparation is organic and Scottish;
- chickens are from the UK to keep to the Red Tractor assurance scheme and our Soil Association Food for Life award;
- all hospitality tea, coffee and sugar is fair trade accredited; and
- coffee grounds are recycled as compost for customers to use.

### Monitoring

Keeping to our policy requirements is a major part of the contract management arrangements for our catering contract.

### Impact of Scottish Government policy

Our national food and drink policy: [Good Food Nation](#) promotes buying and use of healthy, fresh and environmentally sustainable food for catering. Our January 2011 guidance '[Catering for Change: Buying food sustainably in the public sector](#)' is for use by public sector organisations when buying food or catering services. The welfare of farm animals reared for products used in food in our catering contract and other public contracts is generally safeguarded under legislation we have introduced to protect farm animals on farm and at slaughter.

We are also working to increase the sourcing of Scottish products further through public sector contracts. Our Programme for Government outlines a number of commitments that put local sourcing at the heart of public sector supply chains. This includes expanding the Food for Life programme to increase the amount of locally sourced and produced food in Scotland's schools.



A comparison of Scottish sourced produce on our catering contract between 2008 and 2017 is provided at **Table 2** below.

**Table 2****Scottish sourced produce on our catering contract – a comparison of 2008 and 2017**

Produce	2008	Jan – Mar 2017
Fresh beef	47%	100% Scottish
Fresh lamb	17%	100% Scottish
Fresh pork meat	41%	100% Scottish*
Fresh fish	65%	100% MSC Certified, landed in Scotland
Fresh bakery	99%	100% from Scottish producers
Milk and cream	99%	99% Scottish, 1% Red Tractor / UK
Cheese and butter	n/a	49% Scottish, 25% Red Tractor / UK, 26% EU
Gammon and Bacon	n/a	47% Scottish, 50% Red Tractor / UK, 3% EU
Fresh fruit and fresh veg	30%	28% Scottish, 18% Red Tractor / UK, 26% EU, 28% Worldwide
Fresh chicken	68%	100% Red Tractor / UK**
Eggs	n/a	100% Free-range, Red Tractor / UK

\* excludes bacon.

\*\* the supply of Scottish farm assured chicken is completely controlled by the retail sector. This is a nationwide issue for all sectors outwith retail and is something being considered by the industry. To ensure the contract is compliant with the Soil Association's Food for Life award Red Tractor accredited chicken is used on the Scottish Government contract.

## 6.7 Our policy on paying invoices in 30 days or less to our contractors and subcontractors

### Background

Our late payment legislation requires all public bodies to pay invoices within 30 days. Our Procurement Policy Handbook reinforces this and applies to all Scottish contracting authorities. There is also specific [guidance](#) on late payment legislation.

### Our policy

We are committed to prompt payment of invoices both to and by our contractors and their subcontractors. We commit to pay valid invoices within 30 days of receipt and, as a condition of contract, we require this commitment to apply through the supply chain relating to the contract. This condition, when applied throughout the supply chain, must also make clear that if a subcontractor believes that invoices are not being paid within 30 days they can raise the issue directly with us.

Also, as part of our plan to support economic recovery and sustainable economic growth in Scotland we announced in October 2008 that we would aspire to a 10 day target for paying bills to businesses in Scotland. This is a key objective and an important expression of our commitment to support businesses and goes beyond our commitment to pay suppliers within 30 days. So while valid invoices must be paid within 30 days we pay as many as possible within ten days. In the financial year 2016-17 we paid 98.6% of valid invoices in ten days or less and 99.8% within 30 days.

### Monitoring

Through our contract management arrangements we monitor the percentage of our valid invoices paid on time, our average payment performance and any complaints from contractors and subcontractors about late payment and we take action if appropriate.

### Impact of Scottish Government policy

Public bodies are major buyers of goods and services within their local economies and across the Scottish economy as a whole. While other public bodies are responsible for their own procurements we asked them ([Scottish Procurement Policy Note \(SPPN\) 08/2009](#)) to follow our example by including 30 day payment terms in their contracts and to extend these down the supply chain. This is because we believe that all public bodies should treat their suppliers fairly including by paying them promptly.

Councils, for example, are independent bodies and so are not subject to our own policy on prompt payment. However they are subject to prompt payment legislation and are also under a legal duty of Best Value. This includes ensuring that suppliers are paid promptly. The Local Government Benchmarking Framework (LGBF) operated by the Society of Local Authority Chief Executives (SOLACE) and also the Improvement Service, through which council performance against a wide range of indicators is collated and published, includes information on payment performance for each of Scotland's 32 councils. The most recent LGBF report for 2016-17 showed that overall the percentage of invoices paid within 30 days by councils increased from 89.5% to 93.1% since 2010-11.

The construction sector can suffer from late and extended payment terms from business to business. As a result we rolled out our project bank account policy in September 2016 under [Scottish Procurement Policy Note \(SPPN\) 10/2016](#). This creates a bank account, usually for a construction project, out of which a public body can pay supply chain firms directly as well as making payments to the main contractor. It protects participants' cash from upstream insolvency with payments received within five days of deposit. By speeding up cash-flow project bank accounts have the potential to transform the process and to ensure the ongoing solvency of businesses. This particularly applies to smaller firms at tiers two and three which are more vulnerable to the effects of late payment. Public bodies covered by the Scottish Public Finance Manual need to include project bank accounts in their tender documents for building projects over £4.1 million and civil engineering projects over £10 million. We engage regularly with other public bodies to encourage them also to use project bank accounts.

As a result of this policy, the first public works projects to include project bank account requirements for subcontractors (valued around £375 million) were advertised by public bodies on PCS during 2017-18. Some of these projects are expected to start on site this year 2018-19. A further £440 million of public works projects (also including project bank account requirements) are scheduled to be advertised by public bodies on PCS soon with some of these projects also expected to start on site this financial year 2018-19.

We also invite Scottish businesses to sign-up voluntarily to the Business Pledge which we launched in May 2015. This recognises

that businesses play a key part in creating a strong inclusive economy. The Pledge involves nine individual strands of business improvement activity which many companies across Scotland have already adopted because they deliver substantive business benefits and contribute to inclusive growth, these are:

- Paying the 'real' Living Wage
- Not using exploitative zero hours contracts
- Supporting progressive workforce engagement
- Investing in youth
- Making progress on diversity and gender balance
- Committing to an innovation programme
- Pursuing international business opportunities
- Playing an active role in the community
- Committing to prompt payment

In addition to the other elements, those businesses that make a commitment to the Scottish Business Pledge agree to work towards ensuring the prompt payment of their subcontractors or suppliers. By agreeing to pay invoices on time businesses set in motion a 'supply chain reaction' which can boost companies competitiveness, which is a key element of Scotland's economic strategy.

The response from businesses in Scotland has been positive and the number of pledge companies is growing. At the end of February 2018 there were more than 440 companies which had committed to the Scottish Business Pledge. These businesses collectively provide 92,230 Scottish jobs. Further detail is available from the quarterly published [statistical overview](#) of the Scottish Business Pledge.

## 7. Annual procurement report

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Under the 2014 Act we also have to prepare an annual procurement report to reflect on our performance against the procurement strategy. Our first report will cover the period 1 January 2017 to 31 March 2018.

It will include:

- information on regulated procurements that we have completed during the period;
- a review of whether those procurements kept to our procurement strategy;
- if any procurements do not keep to regulations, a statement of how we intend to make sure that future regulated procurements do;
- a summary of community benefit requirements set as part of a regulated procurement that were met during the financial year covered by the report;
- a summary of any steps we have taken to involve supported businesses in regulated procurements during the year; and
- a summary of regulated procurements we expect to begin in the next two financial years.

We will publish our report online and make sure it is accessible in a variety of formats.

## 8. Strategy ownership and contact details

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The owner of this procurement strategy, on behalf of the Scottish Government, is Ainslie McLaughlin, Director of Procurement and Commercial. This update to it covers the period 1 April 2018 to 31 March 2020.

Our strategy will be reviewed again at least once a year with changes made to it if appropriate. We will publish any new versions online.



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