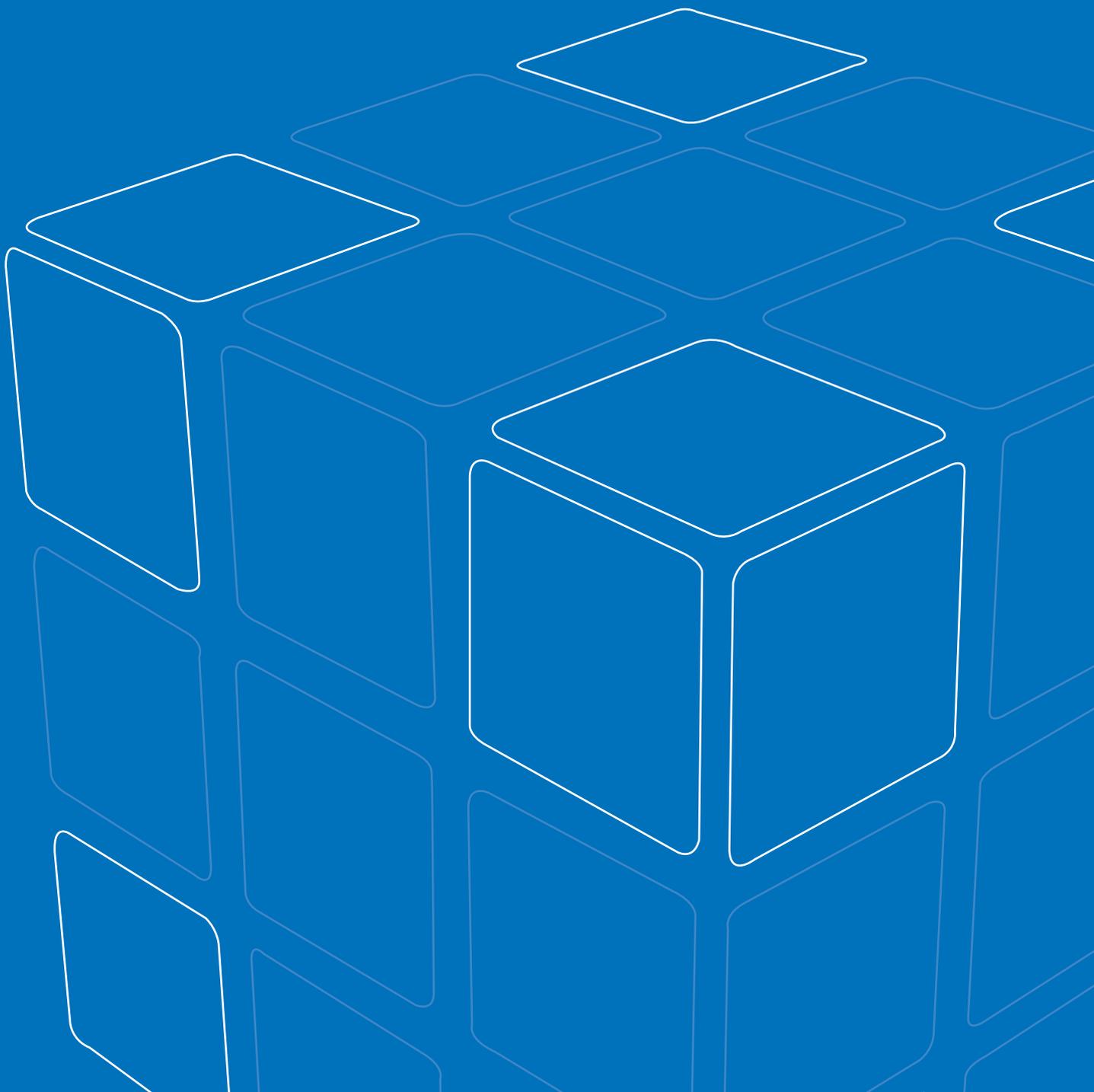




Scottish Government  
Riaghaltas na h-Alba  
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# Annual report on procurement activity in Scotland

An overview of procurement activity 2018-19





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

March/2021

SG/2021/1

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# Ministerial foreword

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**Public procurement is crucial in supporting the effective delivery of our public services. Whether we are buying goods, works or services, we can use our considerable spending power across the public sector in Scotland to promote inclusive economic growth, create opportunities for all, and support and accelerate a just transition towards a net-zero economy.**

We have placed economic, social and environmental aspects of sustainability at the heart of all we do. In doing so, we aim to make the best use of public money by driving access to contracts for businesses of all sizes and types; creating jobs and training opportunities for some of the most disadvantaged in our communities; and enabling climate change goals. This approach reflects the distinctive approach that we have developed in Scotland in harnessing the full power of procurement in the pursuit of inclusive, sustainable economic growth.

This report provides an overview of public procurement activity in Scotland during 2018-19 and demonstrates how public procurement spend is supporting ministerial ambitions. Public bodies in Scotland continue to work effectively with partners and stakeholders, and are conducting their procurement processes in a manner that is open and connected. We have seen continued progress in opening up access to contracts

and ensuring that businesses – irrespective of size, location and sector – have the support they need to bid for and deliver contracts. We are continuing to embed community benefit requirements within the delivery of Scottish public sector contracts and delivering a wide range of benefits for businesses, communities and wider society. And crucially, where public spend is concerned, we are ensuring that our most disadvantaged communities are not being left behind.

It is important, however, that we do not stand still. And we haven't. We have taken steps to ensure that procedures are proportionate and standardised, that contract opportunities are transparent and readily accessible, and that the policy and legislation is in place to support sustainability in its broadest sense.

We can continue to do more. That is why we are assessing the effectiveness of the steps we have taken to identify where we can do more, or, indeed, do things differently to ensure that our aspirations are translated into good practice and performance. We are listening and learning all the time. We will use public bodies annual procurement reports, this report, the Sustainable Procurement Duty research published last December, the soon to be published analysis of a suppliers survey we undertook at the tail end of 2020, feedback from SME round tables, the Scottish Parliament's Economy, Energy & Fair Work

Committee's scrutiny of the Procurement Reform (Scotland) Act 2014 and any other evidence available to us to improve the way the public procurement system operates to deliver maximum benefit for Scotland.

We cannot achieve all of this alone, however. The progress to date has been made possible through collaborative and partnership working across organisations, including with suppliers. To make a step change, we need a whole organisation approach within organisations to what we buy and how we buy it, with support at the highest levels and with early engagement of procurement in the planning and scoping stages of projects. Only by using all levers at our disposal – including continuing to invest in our procurement talent – can we continue to maximise the impact of public procurement in Scotland for the benefit of all.

While the period of this report pre-dates the outbreak of COVID-19, it is clear that the outbreak has had, and continues to have, a significant effect on the people of Scotland. This underlines more so than ever the vital importance of ensuring that we fully harness our public procurement spending in Scotland helping us shape and deliver our ambitions for an inclusive and green society. Collectively we can and must learn from these experiences and harness public procurement in Scotland to help give the best chance of a strong recovery for people, businesses and our communities across the country.

**Ivan McKee MSP**  
**Minister for Trade, Innovation and**  
**Public Finance**

# 1. Introduction

This document is the second annual report by Scottish Ministers on the procurement activity of higher spending public bodies in Scotland. It reflects the Scottish Government’s ongoing commitment to promote better and more sustainable procurement practices – as underpinned by the [Procurement Reform \(Scotland\) Act 2014](#) (‘the 2014 Act’).

The report focuses mainly on the procurement activity of more than 100 Scottish public bodies in their 2018 to 2019 financial year, including specific activity which demonstrates the positive impact that public procurement can have in delivering sustainable, inclusive economic growth in a way that is open and connected and that is good for businesses, their employees, society, places and communities. These commitments are underpinned by our National Performance Framework, which describes the kind of Scotland we aim to create through our procurement activity.

**Figure 1: The National Performance Framework  
Our Purpose, Values and National Outcomes**



The report also takes stock of general progress to date against the ten 'next steps' set out in our previous annual report.

### **Legislative background and purpose 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, catering, and works like building roads and hospitals.

In Scotland, the 2014 Act is a core component of the legislation that Scottish public bodies must adhere to in their procurement exercises. The Act places a number of duties on public bodies regarding their procurement activities. This includes some general duties and also some more specific measures which aim to promote good, transparent and consistent practice in public procurement. More significantly for this report, the Act places an administrative requirement on higher spending public bodies (public bodies with an estimated regulated procurement<sup>1</sup> spend of at least £5 million per year) to publish annual procurement reports on their regulated procurement activities, after the end of each financial year. In these reports, public bodies must address a series of minimum requirements by providing, for example, a summary of regulated procurements completed during the year. This process is designed to bring transparency to the procurement process.

Public bodies with a spend of less than £5 million are not required by the legislation to publish an annual procurement report, but are nevertheless encouraged to do so as a matter of good practice.

In addition to meeting the minimum requirements set out in the 2014 Act, the individual annual procurement reports also describe the organisational aims and objectives of each public body. This means that there is a degree of variation in the content of each individual report, and such variation is reflected in this overview report.

This report is not designed to consider all of the areas where public procurement can have an impact. Rather, its purpose is to provide an overview of public body procurement activity across Scotland and to help bring added transparency and visibility to the public procurement process.

The learning from this report will help to inform future thinking and activity around public procurement. This, in turn, will ensure that public procurement continues to make an important and positive contribution to sustainable and inclusive economic growth in Scotland.

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<sup>1</sup> 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.

### Methodology

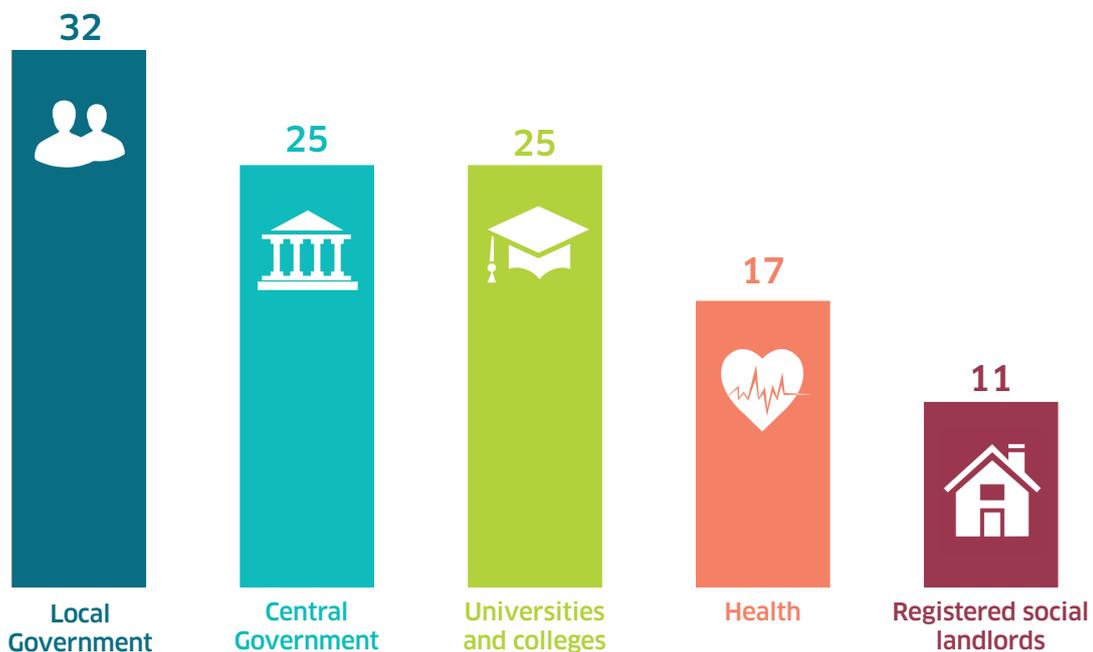
This report draws on a variety of relevant data sources. To gain an understanding of regulated procurement activity among higher spending public bodies, this report draws on information taken from the 110 annual procurement reports published by public bodies in Scotland and supplementary information provided by those bodies.<sup>2</sup>

For the 2018 to 2019 annual reporting cycle, we devised a standardised data template and issued this to public bodies for them to complete alongside their annual procurement

report. The data template was designed to improve the consistency and completeness of some of the quantitative information contained in the annual reports – for example, by asking for information on the number of regulated procurements completed during the reporting year (and the value of these procurements). The information provided by public bodies in these data templates has been invaluable in providing an overview of procurement activity in Scotland.<sup>3</sup>

Figure 2 provides a breakdown of annual procurement reports published across the public sector in 2018 to 2019.

**Figure 2: Number of annual procurement reports published by sector (2018 to 2019)**



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2 By 'public bodies', we mean all organisations which are subject to public procurement laws. This includes central government, local government, universities and colleges, health bodies and registered social landlords. In line with the 2014 Act, all public bodies with an expected procurement expenditure of £5 million or more in the next financial year are required to produce an annual procurement report. In addition, some public bodies with expected expenditure of less than £5 million in the next financial year produce an annual procurement report as a matter of good practice.

3 Not all of the public bodies which returned a data template completed the template fully by submitting all of the information required. As such, the figures from the annual procurement reports do not necessarily represent the full extent of activity across all 110 public bodies which submitted a report. At present, we are also unable to establish what these 110 public bodies represent as a proportion of the wider Scottish public sector. This is because not all public bodies are required by the legislation to produce an annual procurement report.

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This overview report is also informed by data from the Scottish Procurement Information Hub tool. The Hub enables Scottish public bodies to examine procurement spend by analysing accounts payable data – in 2018 to 2019, 102 Scottish public bodies had their data published on the Hub.<sup>4, 5</sup> Amongst other sources, the report also uses data from the Public Contracts Scotland (PCS) website.

Care must be taken when reflecting on the data presented in this report. It is important not to draw too many direct comparisons between findings from each of the data sources – in particular, between the data from the annual procurement reports and that from the Hub – because various minor discrepancies and caveats apply to each dataset.<sup>6</sup> Instead, we have focused on the overall picture that the data paints in relation to public procurement activity in Scotland.

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4 The spend data on the Hub relates only to spend figures for suppliers that were 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 that year.

5 Data taken from the Scottish Procurement Information Hub for 2018 to 2019 was correct at the date of retrieval (4 March 2020). Data is revalidated regularly and may be subject to change as additional information about suppliers is gained.

6 First, the bulk of the spend data from the Hub referred to in this report relates to spend in Scotland only (i.e. with suppliers in Scotland, based on known postcodes which are obtained from a supplier's invoice address) unless otherwise stated, while the annual procurement reports cover contracts with all suppliers regardless of location. Second, much (but not all) of the data from the annual procurement reports covers spend on regulated procurements only, while the Hub data is based on accounts payable spend. Last, not all public bodies which submitted an annual procurement report had their spend data published on the Hub, and vice versa. As such, both datasets do not enable a like-for-like comparison.

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## 2. Highlights

### Good for the economy

**£12.6bn** 

The £12.6 billion of public procurement spend in 2018 to 2019 is estimated to generate around **£11.2 billion of economic activity for Scotland**, to contribute around **£6.2 billion to Scottish GDP** and to support around **111,000 full time equivalent jobs**.

### Good for society

**63%** 

In their annual procurement reports, 63% of public bodies showed that their regulated procurements were carried out with regard to environmental wellbeing and climate change.

### Good for businesses and their employees

**16,250** 

There were **16,250 new public sector business opportunities advertised on Public Contracts Scotland** in 2018-2019.

**4,289** 

**4,289 regulated contracts were awarded in 2018 to 2019**, with a total combined value of around **£9.7 billion**.

An estimated **26,094 suppliers** in Scotland directly benefited from Scottish public procurement spend, with many more businesses indirectly benefiting within our supply chains. 

**63%** of suppliers winning contracts on Public Contracts Scotland were Scottish SMEs. **An increase of 3%** from 2017-18. 

**58 pence in every pound** spent with suppliers in Scotland in 2018 to 2019 went to an SME. 

**The construction sector** accounted for the largest proportion of spend in Scotland, receiving **£2.1 billion** in 2018 to 2019. 

### Good for places and communities

**53%** **53% of spend** in Scotland was with businesses in the 60% most disadvantaged communities.

**£6.9bn** Total Scottish public sector procurement spend reached **£12.6 billion**, of which **£6.9 billion** was with businesses with a Scottish postcode.

**+8%**  An 8% increase in the number of **contract opportunity notices with community benefit requirements** published on PCS.

### Open and connected

The increased use of Public Contracts Scotland - our single advertising portal for contract opportunities across Scotland. 

75% of public bodies provided **evidence of transparency** in their annual procurement reports. 

## 3. Summary of public procurement in Scotland

### 3.1 Good for the economy

Public procurement spend is a key driver of the Scottish economy. Scottish public bodies' total procurement spend in Scotland and elsewhere is estimated at £12.6 billion for the year 2018 to 2019.<sup>7</sup> This £12.6 billion of spend is estimated to generate approximately £11.2 billion of economic activity in the wider Scottish economy, to support around 111,000 full-time equivalent jobs and to contribute around £6.2 billion to Scottish GDP when taking into account supply chain and re-spending of wage effects. This represents around 4.4% of the Scottish economy.<sup>8</sup>

### 3.2 Good for businesses and their employees

#### Access to contracts

We recognise the important role that Small and Medium Enterprises (SMEs), third sector organisations and supported businesses play in the Scottish economy. In line with the 2014 Act – and, in particular, the Sustainable Procurement Duty – public bodies are required to consider how they might facilitate the involvement of SMEs, the third sector and supported businesses in their procurements.

Since the passage of the 2014 Act, Public Contracts Scotland (PCS) has become a 'one stop shop' for procurement opportunities in Scotland, making it easier for businesses of all sizes and sectors to access and win contracts. The Quick Quotes functionality is key in enabling public bodies to advertise lower value contract opportunities which could be attractive to smaller businesses.

Good progress has been made over the last year in improving access to public contracts. The number of public contracts advertised through PCS has continued to rise since the publication of our previous annual report on procurement activity. We also continue to provide a contribution of funding to the Supplier Development Programme, which is giving Scottish SMEs, third sector organisations, social enterprises and supported businesses the training, skills and information they need to access, bid for and win public contracts, including supply chain work. Figure 3 summarises some of our key achievements in facilitating supplier access to public contracts in 2018 to 2019.

<sup>7</sup> For 99 of the 102 organisations, this figure is excluding VAT.

<sup>8</sup> Supply chain and re-spending of wages effects are estimated using the Scottish Government Input-Output model. The model depicts inter-industry relationships within the Scottish economy. Using sectoral data, it shows how output from one industrial sector may become an input to another industrial sector, and allows for derivation of estimates of the impact of public procurement expenditure on economic activity, employment supported, and GDP. For more information, see the [Scottish Government website](#).

Figure 3: Access to public contracts in 2018 to 2019<sup>9</sup>



In our previous report, we committed to doing more to help small businesses and local supply chains by introducing an easily accessible portal drawing together the support available for businesses which aspire to use public contracts as a means to

facilitate growth. Since then, the introduction of the [Find Business Support Portal](#), developed by Scottish Enterprise, provides businesses with links to the relevant areas of procurement support such as PCS and the Supplier Journey websites.

<sup>9</sup> PCS figures are taken from [PCS usage reports](#) for 2017 to 2018 and 2018 to 2019. Figures regarding the proportion of SME employers expressing an interest in or bidding for public contracts are from the [Small Business Survey Scotland: 2018](#). SDP figures are largely taken from the [SDP annual report](#) for 2018 to 2019.

## Summary of regulated procurements

Public bodies have undertaken a great deal of contracting activity over the past year. Among the 110 public bodies submitting annual procurement reports covering the 2018 to 2019 financial year, 4,289 regulated contracts were procured during this period. The total combined value of all regulated contracts, where this information was included in the individual reports, was around £9.7 billion.

## Type of contracts

The annual procurement reports show that a wide variety of regulated contracts were awarded in 2018 to 2019. These have ranged from lower value contracts such as maintenance and refurbishment services and payroll systems, through to high value contracts including housing construction and social care service delivery.

Some examples of the types of regulated procurements completed in different sectors include:

- among central government – banking services, transport research, hire of suites for fatal accident enquiry, confidential and shredding services, marketing services, lift modernisation and maintenance, and food and beverages
- in local government – school transport services, day services for adults affected by dementia, supply of street lighting materials, organic waste composting, and salt for winter maintenance

- in the health sector – provision of equipment and machinery such as MRI and CT scanners, ultrasound maintenance, ophthalmic image/data management systems, supply of hospital shop products, and sterile surgical scissors
- for universities and colleges – audio-visual equipment, sports hall flooring, beauty and makeup kits, mobile phones, college insurance, and graduation gown and academic outfit hire services
- among registered social landlords – windows, doors, tenant satisfaction surveys, electricity supply, grounds maintenance, and construction of new build housing

## Contracting with SMEs

SMEs in Scotland continue to benefit directly from Scottish public bodies' procurement spend.<sup>10</sup> In 2018 to 2019, they accounted for the majority of suppliers to the public sector. According to the Hub, in 2018 to 2019, where we know the postcode of the supplier, we estimate that 26,094 suppliers with a postcode in Scotland directly benefited from public procurement spend.<sup>11</sup> The data also shows that many of the suppliers winning contracts and benefiting from spend were SMEs and this is an area we are doing particularly well in (Figure 4).<sup>12,13</sup>

<sup>10</sup> As a reminder, where the Hub data refers to 'spend in Scotland', by this we mean Scottish public body procurement spend with suppliers in Scotland (where postcode is known).

<sup>11</sup> Supplier number information is based on clustered groupings of a combination of supplier name, address or classification information, not the legal entity for each supplier. As such, these figures are estimates only.

<sup>12</sup> Where information is taken from the Hub, note that supplier size is based only on number of employees where known, and an SME is defined as a supplier with less than 250 employees.

<sup>13</sup> Where information is taken from the annual procurement reports, references to contracts are also to be construed as meaning Framework Agreements. Note that the figure of 5,249 SME suppliers may not represent unique suppliers. A supplier may be awarded a regulated contract by more than one public body, in which case they would be counted once by each public body they have been contracted by.

Figure 4: SMEs winning public sector contracts during 2018 to 2019

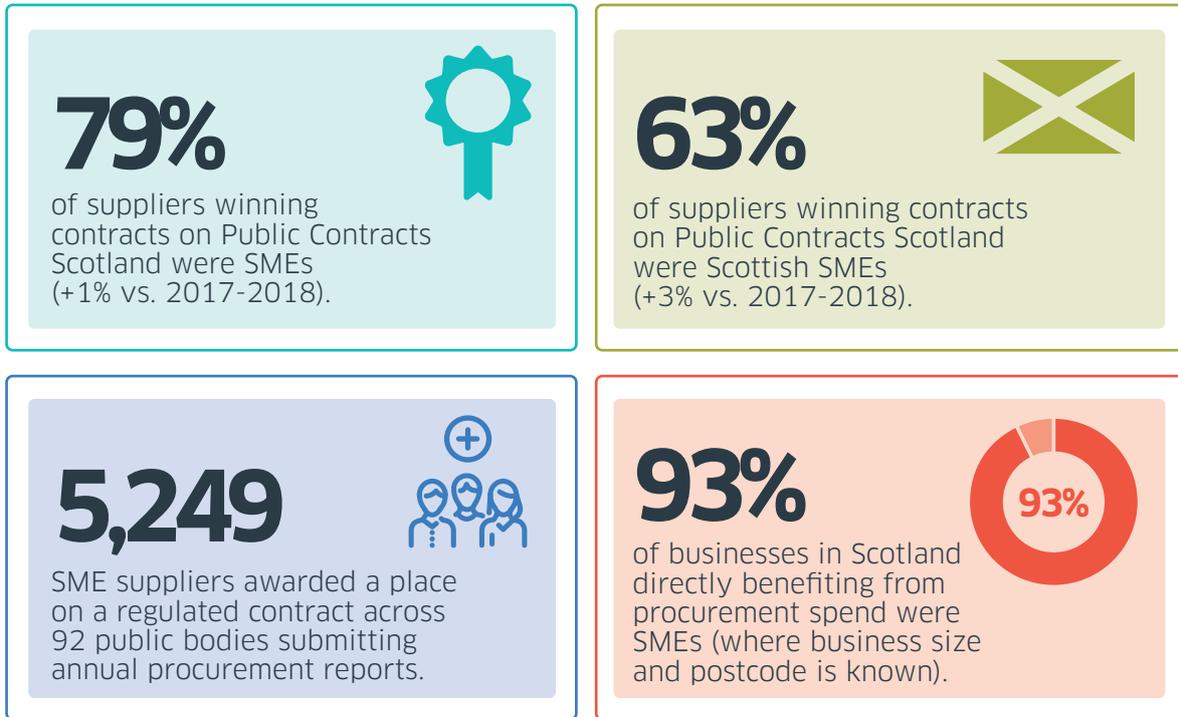
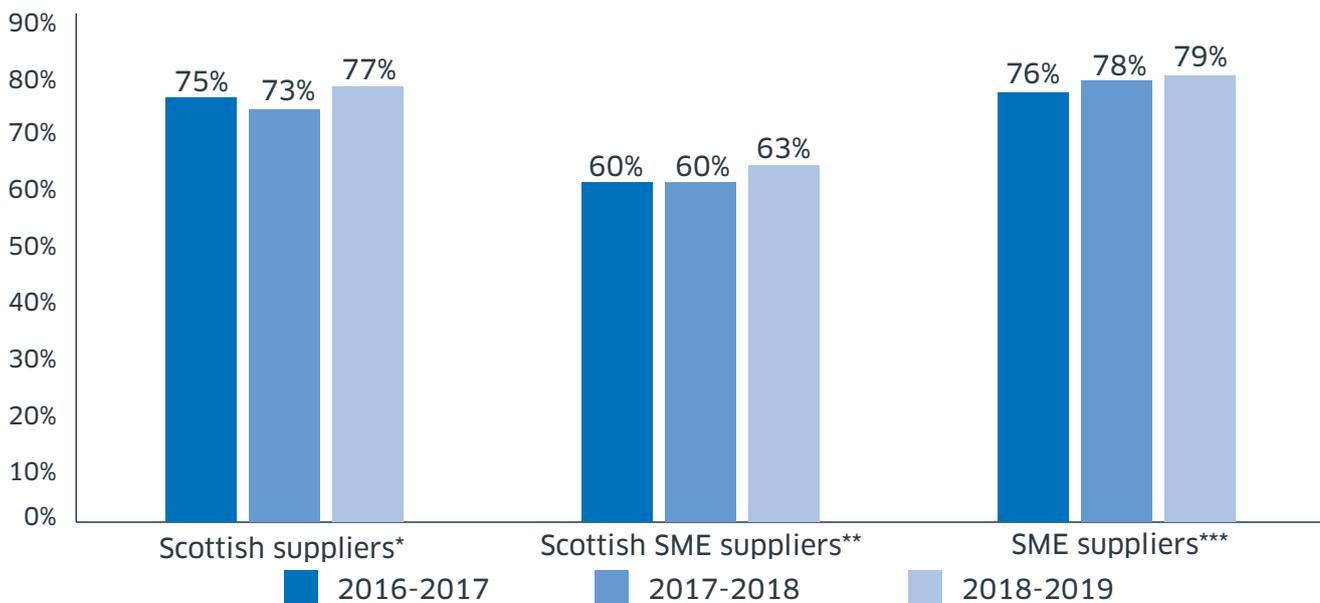


Figure 5: Proportion of suppliers awarded public sector contracts through Public Contracts Scotland which were Scottish suppliers, Scottish SME suppliers and SME suppliers<sup>14</sup>



\* Suppliers registered on PCS with a Scottish-base business address, where address is known

\*\* Suppliers registered on PCS with less than 250 employees where size and address are known

\*\*\* Suppliers registered on PCS with less than 250 employees where size is known

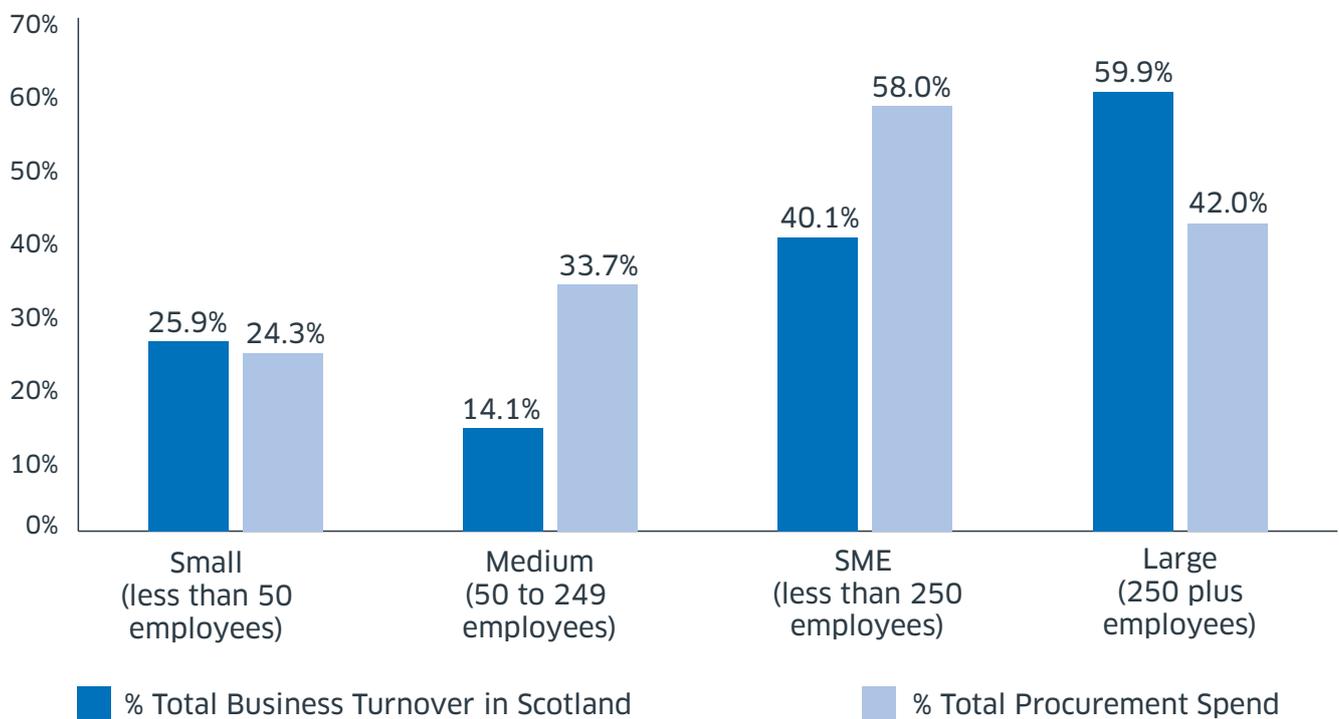
<sup>14</sup> Figures taken from [PCS usage reports](#).

SMEs continue to account for the bulk of procurement spend in Scotland.

Figures from the Hub show that in 2018 to 2019, SMEs accounted for 58.0% (£3.4 billion) of public procurement spend with suppliers

in Scotland (where postcode and business size is known). When we include spend with suppliers outside of Scotland, total Scottish public body procurement spend with SMEs amounted to £5.2 billion (or 46.7% of all spend where business size is known).<sup>15</sup>

**Figure 6: Scottish public bodies' procurement spend in Scotland by size of supplier business, as a proportion of total turnover in Scotland (2018 to 2019)\*<sup>16</sup>**



\*Where postcode and business size (number of employees) are known for spend figures

Figure 6 provides information about the proportion of Scottish public sector procurement spend in Scotland with suppliers of different sizes (where postcode and business size is known), compared to the proportion of total registered business turnover in Scotland generated by businesses

of each size. It shows that SMEs accounted for a significantly greater proportion of procurement spend in Scotland (58.0%) than they did total Scottish business turnover (40.1%). This is positive news given our focus on ensuring that SMEs are involved in – and benefiting from – public contracts.

<sup>15</sup> Note that this figure also includes a small amount of spend where supplier location could not be verified.

<sup>16</sup> Information on total business turnover taken from [Businesses in Scotland](#) report for 2019. Unlike in our previous report, this year's analysis of spend by size of supplier business as a proportion of total turnover focuses only on registered businesses.

Public bodies are adopting a range of approaches to facilitate the involvement of SMEs in their regulated procurements. There was great similarity in the examples given in the annual procurement reports between this reporting period and the previous. Examples from the 2018 to 2019 cycle included:

- being members of the Supplier Development Programme
- hosting webinars and making these available to SMEs
- implementing Dynamic Purchasing Systems
- breaking larger requirements into smaller contracts and thus making them more attractive to SMEs
- undertaking consultation to promote the involvement of SMEs in procurement activity

The following example demonstrates how one public body has facilitated the involvement of SMEs in a variety of ways:

*“All regulated procurements are advertised on PCS and where possible, for procurements below the regulatory threshold, the college uses Quick Quotes. Glasgow Clyde College is keen to ensure that procurement opportunities are open to as many SMEs as possible”*

*“The College plans to start a partnership with SENSCOT and Partnership for the procurement team to further explore opportunities to engage with SMEs, Third Sector bodies and supported businesses.”<sup>17</sup>*

## Supported businesses

We recognise the importance of enabling supported businesses to take part in the bidding process and to win work with the public sector. So too are public bodies increasingly demonstrating their commitment to contracting with supported businesses, as evident in their annual procurement reports.

Through the annual procurement reports, public bodies are now required to provide data on the number and value of regulated contracts awarded to supported businesses. Using this year’s data as a baseline, we will gain an indication of direction with regard to spend levels with supported businesses in the next cycle of annual reports.

Among the 25 public bodies providing relevant information this year, 50 regulated contracts were awarded to supported businesses. The total value of regulated contracts awarded to supported businesses, among 23 public bodies, was around £8.9 million.

In line with the 2014 Act, public bodies’ annual procurement reports must include a summary of steps taken to facilitate the involvement of supported businesses in their procurement activities, and public bodies are increasingly providing this information. Ninety-five per cent of public bodies provided evidence of this kind of activity in their annual reports, compared to 89% in 2017 to 2018. The examples provided in annual procurement reports included:

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<sup>17</sup> Taken from the [Glasgow Clyde College](#) annual procurement report for 2018 to 2019.

- using the Ready for Business Register of supported businesses
- engaging with supported businesses at Meet the Buyer events
- holding supported business engagement days
- hosting industry days to raise awareness of opportunities for supported businesses

### Third sector organisations

We also recognise the role that third sector organisations continue to play in delivering public contracts. The evidence suggests that when it comes to facilitating the third sector's involvement in public procurement, we are moving in the right direction but there is still work to be done.

Public bodies are increasingly recognising the importance of providing information about how they have facilitated the involvement of third sector organisations in their procurement processes, in their annual procurement reports. Forty-seven per cent of public bodies provided this information in their annual procurement reports, compared to 36% in 2017 to 2018. Examples of how they have done so were again similar to the previous reporting cycle and included:

- holding supplier events for third sector organisations
- establishing partnerships with third sector organisations
- providing business support to the third sector
- including third sector organisations as participants for market research

The 2019 Social Enterprise in Scotland Census found that 53% of social enterprises described the public sector as their customers – an improvement on the figure we reported for 2017 (52%). Twenty-one per cent of social enterprises reported bidding for a public contract in the 12 months prior to the Census, which is again a slight increase on the figure obtained for 2017 (20%). Seventeen per cent of social enterprises reported winning a public contract in the last 12 months (again higher than the 15% figure recorded in the 2017 Census).<sup>18</sup>

### Public sector procurement spend in Scotland by sector

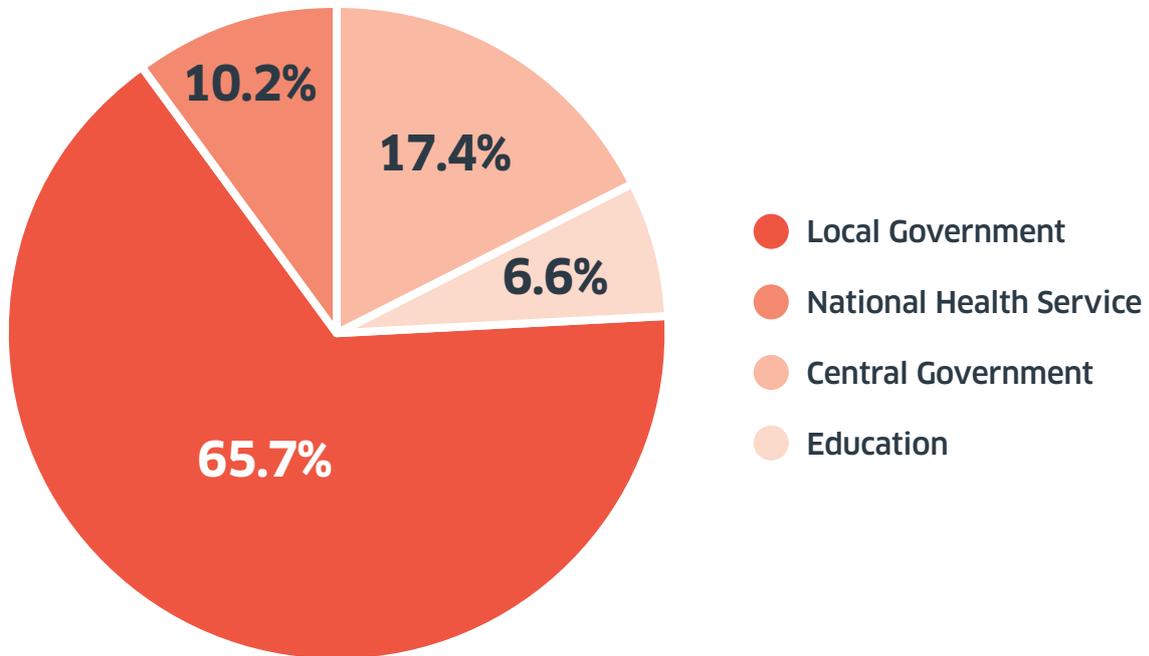
Local government bodies account for the largest proportion of Scottish public procurement spend. This is reflected in the procurement spend figures and has much to do with the large size of the sector compared to others and the wide variety of contracts the sector procures – including, for example, contracts for social care services.

Data from the Hub shows that of the £6.9 billion of procurement spend in Scotland (where postcode is known), around two thirds (65.7%) of this spend can be attributed to local government organisations.

The annual procurement reports tell a similar story. Of the 4,289 regulated contracts procured across all 110 public bodies submitting an annual procurement report, the largest share of these (2,012) were procured within the local government sector, followed by central government (763). Local government organisations also comprised the highest total value of regulated contracts (almost £4.9 billion).

<sup>18</sup> Figures taken from the 2015, 2017 and 2019 [Social Enterprise in Scotland Census](#).

Figure 7: Scottish public bodies' procurement spend in Scotland by public buying entities (2018-2019)\*



\* Where postcode is known for spend figures

### Public sector procurement spend with suppliers in Scotland by category

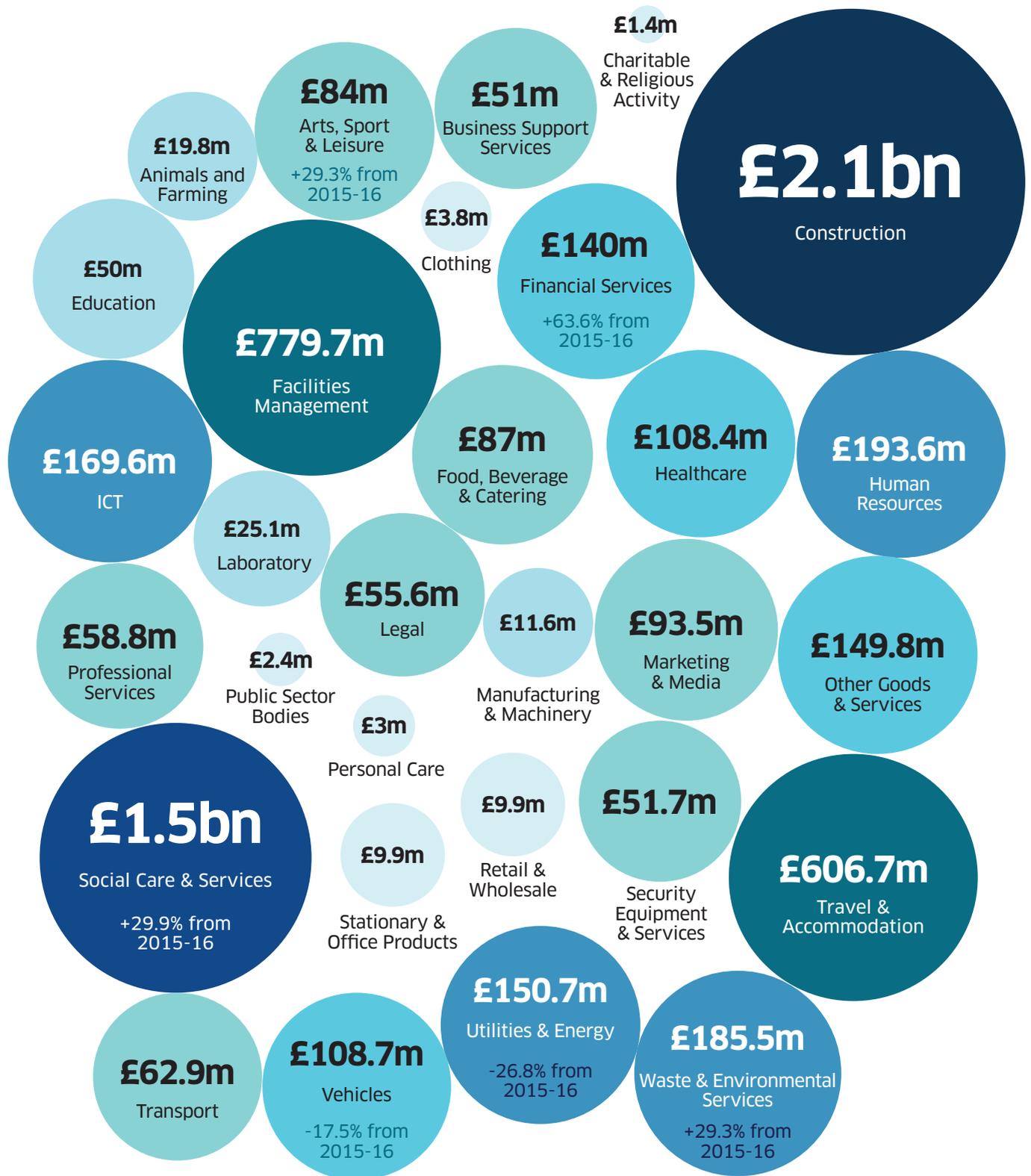
The construction sector continues to dominate procurement spend in Scotland. Based on information taken from the Hub, Figure 8 provides information about the amounts of procurement spend in Scotland (where postcode and business sector are known) that can be accounted for by different categories of supplier.<sup>19</sup> As in the previous year, in 2018 to 2019, construction (£2.1 billion) and social care and services (£1.5 billion) accounted for the largest amounts of Scottish public body procurement spend in Scotland.

For most categories, spend by public bodies with suppliers in Scotland has remained relatively consistent since 2015 to 2016. Spend in some categories has changed more significantly, including social care and services which has increased by 29.9%. Spend on arts, sport and leisure and on waste and environmental services have both increased by 29.3%. Spend on financial services has increased by 63.6% since 2015 to 2016.

In some business sectors, spend has declined notably since 2015 to 2016. For example, spend on utilities and energy has decreased by 26.8% while spend on vehicles has decreased by 17.5%. These variances in spend may be due to a fall in demand through efficiency measure and public estate rationalisation, coupled with achieving better prices through national utilities frameworks.

<sup>19</sup> Note that the business sectors are based on the 'vCode' classification, which was developed and is owned by the third party supplier responsible for providing the Scottish Procurement Information Hub. This classification is used on the Hub to analyse spend with suppliers in different business categories. The coding of suppliers to the different business categories is based on the supplier's main area of business and not the specific goods and services purchased under any given contract.

Figure 8: Scottish public bodies' procurement spend in Scotland by business sector\*



\* Where postcode and business sector are known for spend figures

As mentioned above, the construction industry dominates public bodies' procurement spend in Scotland. In our last report, we committed to 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. To this end, we have:

- established a strategic leadership forum between the Scottish Government and Construction Scotland and developed a shared Recovery Action Plan
- published guidance to help public bodies address the quality of the built environment in construction procurement
- undertaken work to progress sustainable pricing
- working with industry and organisations across all Centres of Expertise, we are compiling the required documentation to enable the procurement of a national multi-lot, multi-supplier framework for Civil Engineering, for which a Prior Information Notice (PIN) has been published

### **Public sector procurement spend in Scotland by supplier location**

While public sector procurement spend in Scotland is particularly concentrated in the Central Belt, there is generally a good spread of spend across Scotland. Figure 9 examines procurement spend in each local authority area (where postcode is known) as a proportion of total spend in Scotland in 2018 to 2019. We can see that the largest proportions of procurement spend were in Glasgow City (21.4% of spend, or £1.5 billion), the City of Edinburgh (16.4%, or £1.1 billion) and North Lanarkshire (10.5%, or £728.6 million).



Using the [Scottish Index of Multiple Deprivation \(SIMD\) classification](#), we have undertaken analysis of procurement spend (where postcode is known and can be matched against the SIMD classification) in 2018 to 2019, in relation to deprivation levels across Scotland. Note that the analysis is based on postcodes obtained from a supplier’s invoice address and that these are not necessarily a reflection of the true impact of public procurement spend in different areas – a contract may be invoiced from one postcode area but the investment and benefits may be accrued primarily in another area. Still, the analysis presents a useful starting point for looking at spend in communities with different levels of advantage.

Scottish public body procurement spend is spread across all SIMD quintiles, although the spend is larger in areas of relative advantage. As shown in Table 1, the largest proportion of spend (£1.9 billion, or 28.5%) was in the fourth quintile, i.e. within the 20-40% least deprived areas in Scotland.<sup>20</sup> Areas in the first quintile – the 20% most deprived areas in Scotland – had the lowest proportion of procurement spend (£1.1 billion, or 16.2%). However, put together, the three most deprived quintiles account for just over half (£3.6 billion, or 53%) of public sector procurement spend in Scotland.

SIMD classification	Total procurement spend	Proportion of total spend
1 (most deprived)	£1,092,683,735	16.2%
2	£1,127,503,101	16.8%
3	£1,347,740,416	20.0%
4	£1,916,296,613	28.5%
5 (least deprived)	£1,246,505,938	18.5%
<b>Total</b>	<b>£6,730,729,803</b>	

\* Where postcode is known for spend figures and can be matched against the SIMD classification

<sup>20</sup> Using a variety of indicators relating to income, employment and health, for example, SIMD measures the extent of deprivation in a local area by categorising it into one of five quintiles. Those areas that are assigned to the first quintile are classed as the 20% most deprived areas in Scotland, and those in the fifth quintile are classed as the 20% least deprived.

These spend figures likely reflect the amount of business activity in each quintile. Spend in the three most deprived quintiles is in line with the proportion of total Scottish turnover generated by registered private sector businesses based in Scotland (52%).<sup>21</sup>

Of course, not all businesses will be interested in doing business with the public sector – while there are around 179,000 registered businesses in Scotland, there are currently around 60,000 suppliers registered on Public Contracts Scotland.<sup>22</sup> We will continue to support interested businesses by offering advice and guidance, by making it easier for businesses to identify, access and compete for contract opportunities, and by being clear about what we expect from our suppliers as responsible and fair employers and key partners.

### Payment of invoices (& Project Bank Accounts)

Prompt payment of suppliers is an integral component of our efforts to ensure that procurements are carried out in a sustainable manner and the evidence suggests that most public bodies are ensuring that their suppliers are paid on time. Across 90 public bodies submitting annual procurement reports, an average of 90.4% of invoices were paid on time. Twelve of those public bodies have set the standard by paying 100% of their invoices on time and this is the standard that the wider public sector should aspire to.

Project Bank Accounts (PBAs) are key in assuring prompt payment to contractors and subcontractors involved in delivering public contracts, particularly within construction supply chains. In their annual procurement reports, nine public bodies (8%) reported using PBAs.

The following example illustrates how Highlands and Islands Enterprise has used PBAs to help its contractors and subcontractors.

*“We are one of the first public bodies to adopt Project Bank Accounts for higher value works contracts. We have awarded two contracts where money will be ring fenced in a trust and paid out simultaneously to the main contractor and their subcontractor. This will help reduce late payment of subcontractors as well as give them greater protection should the main contractor go out of business.”<sup>23</sup>*

In our 2019 report, we said that we would continue to champion faster payments, streamlining purchase-to-pay processes, working with our suppliers to ensure they pay their subcontractors promptly and encouraging the use of PBAs in suitable construction and infrastructure projects. Since our last report was published, we have taken a range of steps, such as:

- extending the use of our national eInvoicing solution to 29 public bodies to date with another six currently in the process of adopting

<sup>21</sup> Information taken from the Office for National Statistics' Inter-Departmental Business Register. For the majority of registered businesses, the turnover figures are based on VAT returns for a 12 month period ending either in January/February 2018 or in December 2018, depending on the reporting pattern of the trader.

<sup>22</sup> Data on number of registered businesses taken from [Businesses in Scotland](#) report for 2019. Note that data on the number of suppliers registered on PCS is not a count of unique suppliers and may reflect multiple registrations from the same supplier.

<sup>23</sup> Taken from the [Highlands and Islands Enterprise](#) annual procurement report for 2018 to 2019.

- working with public bodies to review and re-design purchase-to-pay processes to ensure that they are as efficient and as streamlined as possible
- rolling out a new instance of PECOS in the Scottish Government in order to improve and streamline our purchase-to-pay process
- extending the use of PBAs in Scottish Government contracts, to increase the number of subcontractors able to access them<sup>24</sup>
- publishing user templates which gather information from public bodies on uptake of PBAs to reinforce best practice, while undertaking outreach work with PBA partners
- issuing guidance on measures public bodies should take to assure frequent and fair supply chain cash flow in existing, current and future construction contracts
- in 2018 to 2019, paying 99% of valid invoices presented to the Scottish Government within 10 days of receipt (and 98.7% in 2019 to 2020)

### Subcontracting

Subcontracting is an important means by which Scottish public bodies' procurement spend can support not only the primary supplier, but also the supplier's extended supply chain. Public bodies' annual procurement reports show a great deal of subcontracting activity involving SMEs.

Among 62 public bodies, the total value of contracts subcontracted to SMEs as a result of community benefit requirements was around £104.7 million. These figures are likely to be underestimates of the full extent of subcontracting activity across all 110 public bodies given the large number of public bodies whose annual procurement reports did not provide this information.

In our previous report, we committed to extending the reach of our policy on the advertising of subcontracting opportunities in Public Contracts Scotland (PCS), to provide more opportunities for local supply chains to be established in the delivery of public contracts. To this end, we have:

- issued [updated policy guidance](#) to encourage and promote the use of PCS to advertise subcontracting opportunities, including a link on how to use PCS to advertise opportunities and a link on where this has been done previously
- provided ongoing support to local organisations to increase the advertisement of subcontracting opportunities on PCS while encouraging them to track and publish their progress in annual reports

The following case study provides a recent example of a medium-sized firm that won a supplier contract from the Scottish public bodies, and that demonstrates the power of Scottish public sector procurement in stimulating the supply chain.

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<sup>24</sup> For more information, see the [Construction Policy Note](#) on PBAs that we published in February 2019.

**APS Group (Scotland) Ltd**, based in Edinburgh, employs 111 staff,<sup>25</sup> 25 of whom were additional recruits for the purpose of delivering the Scottish Government’s Baby Box initiative. On behalf of the Scottish Government, this firm delivers the Publishing, Print, Design and Associated Services (PPDAS) Framework which commenced on 1 October 2018 and delivers an account managed customer-focused service. The contract is for a variety of services including (but not limited to) printing services.

In 2018 to 2019, APS Group has continued to support Scotland and Scottish jobs through the Framework by recruiting locally and utilising an extensive supply chain including 112 SMEs, 96 of which are businesses based in Scotland, of which 41 are print suppliers. Table 2 below shows the money spent on these subcontractors, highlighting the firm’s contribution to the Scottish print industry and Scotland’s economic growth as a contribution to GDP.

**Table 2: APS Group (Scotland) Ltd supply chain, between 2015 to 2016 and 2018 to 2019**

	2015-2016	2016-2017	2017-2018	2018-2019
<b>SME total</b>	Companies: 89	101	114	112
	Spend: £2,143,450	£7,236,188	£7,715,091	£11,021,783
<b>Scottish SME total</b>	Companies: 65	76	105	96
	Spend: £1,940,630	£6,460,390	£5,805,053	£8,436,780
<b>Scottish SME print total</b>	Companies: 33	44	43	41
	Spend: £1,184,465	£1,650,235	£2,400,000	£2,144,909 <sup>26</sup>

<sup>25</sup> As at 31 March 2019.

<sup>26</sup> Figures based upon conventional printed materials and exclude screen print, promotional items and display materials print. Rounded to the nearest £100,000, £2.2 million was spent on conventional print in 2018 to 2019 through the PPDAS Framework. Scottish SME printers gained 95.5% of this spend (£2.1 million) for 2018 to 2019.

## Fair Work and public procurement

By addressing Fair Work practices through their procurements, public bodies can promote equality of opportunity, increase productivity and deliver maximum value for individuals, communities and society at large. Public bodies are approaching Fair Work considerations in a variety of ways, with around three quarters of all 110 public bodies submitting a procurement report including a general statement in their reports about their approach to Fair Work.<sup>27</sup> Examples of how public bodies have approached Fair Work included:

- promotion of the real Living Wage and Fair Work practices of suppliers in tender documentation
- including contract conditions related to Fair Work practices
- including a scored Fair Work criterion in invitations to tender<sup>28</sup>
- actions to help mitigate against the inappropriate use of zero hours contracts in the supply chain
- providing training and development to staff in relation to Fair Work

Public bodies are now asked to provide statistical information on Fair Work practices in their annual procurement reports. The fact that many public bodies have successfully done so is an important step forward in the monitoring and reporting of Fair Work.

The figures obtained for 2018 to 2019 give us a baseline indication of the presence of Fair Work in public bodies' procurement processes; this helps us to understand where public bodies are doing well and, crucially, where more could be done.

Note that not all 110 public bodies provided the relevant information in their annual procurement reports and so the activity outlined in this section is not likely to reflect the full extent of Fair Work activity. Nevertheless, the increasing amount of information that we have available on Fair Work since our last report suggests that public bodies are increasingly considering Fair Work in their procurement exercises and there is greater awareness of Fair Work practices across the public sector.

### *Regulated contracts with a scored Fair Work criterion*

Public bodies should use scored Fair Work criterion where it is relevant and proportionate to do so. Eighty-five (77%) of the 110 public bodies submitting an annual procurement report for 2018 to 2019 provided relevant information about the number of regulated contracts awarded during the period which included a scored Fair Work criterion. Among these 85 public bodies, 1,119 regulated contracts which included a scored Fair Work criterion were awarded during the reporting period.

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<sup>27</sup> 81 public bodies (74%) provided this information in their annual procurement reports.

<sup>28</sup> This involves formally weighting bidders' Fair Work practices when assessing the overall quality of the tender.

### ***Suppliers' commitment to the real Living Wage and Living Wage accreditation***

Sixty-eight (62%) of the 110 public bodies submitting an annual procurement report provided information about the number of suppliers who have committed to paying the real Living Wage in the delivery of a regulated contract awarded during the reporting period. Among these 68 public bodies, a combined total of 1,562 suppliers committed to paying the real Living Wage when delivering a regulated contract awarded in 2018 to 2019.<sup>29</sup>

Sixty-six (60%) of the 110 public bodies submitting an annual procurement report provided data on the number of suppliers who are accredited Living Wage employers and were awarded a regulated contract during the reporting period. Across these 66 public bodies, a combined total of 482 suppliers were accredited as Living Wage employers. This amounts to 7% of all suppliers awarded a regulated contract by these public bodies during the reporting period.

We have already mentioned that there are around 179,000 registered businesses in Scotland. As of April 2020, there were around 1,700 Living Wage employers in Scotland, which equates to less than 1% of all registered businesses in Scotland.<sup>30</sup> As such, the figures must be viewed within the wider context of real Living Wage uptake in Scotland and the fact that many businesses

are yet to gain Living Wage accreditation, regardless of whether they work with the public sector or not. The likelihood is that by continuing to promote Fair Work practices through public procurement, more businesses will be in a better position to gain Living Wage accreditation in the future, and this will in turn be reflected in the statistics gathered for future reporting cycles.

### ***Suppliers signing up to the Scottish Business Pledge***

Fifty-five (50%) public bodies submitting an annual procurement report provided information about the number of suppliers who were awarded a regulated contract during the reporting period and who have signed up to the Scottish Business Pledge.<sup>31</sup> Among these 55 public bodies, a combined total of 170 suppliers awarded a regulated contract had made their commitment to the Business Pledge. This amounts to 8% of all suppliers awarded a regulated contract by these public bodies.

This reflects a wider national picture in that many businesses are yet to sign up to the Business Pledge. As of January 2021, 760 businesses are confirmed Business Pledge members. Again, it is likely that as more businesses sign up to the Business Pledge, future annual reports will begin to reflect this increase.

<sup>29</sup> Note that the combined total supplier figures referred to in this section may not represent unique suppliers. A supplier may be awarded a regulated contract by more than one public body, in which case they would be counted once by each public body they have been contracted by.

<sup>30</sup> For more information, see the [Living Wage Scotland Employer Accreditation Guide](#).

<sup>31</sup> The Scottish Business Pledge is a partnership between the Scottish Government and Scottish business, which aims to boost productivity, competitiveness through fairness, equality and sustainable employment among Scottish businesses. Businesses are encouraged to make a range of pledges – for example, paying the real Living Wage, addressing the gender pay gap and refraining from the inappropriate use of zero hours contracts. For more information, see the [Scottish Business Pledge](#) website.

While Fair Work continues to be a priority for us and for the wider public sector, we recognise that further progress is likely to be hampered by the COVID-19 pandemic. We recognise that during this time, many suppliers have faced some degree of uncertainty and are thus likely to have prioritised crisis management and response.

### ***Actions taken to address Fair Work in public procurement***

We recognise that there is scope for improvement in relation to Fair Work and we have recently taken a variety of steps to address this. Given the timing of these actions, it is likely that their impact will be felt mainly in future reporting cycles. For example, in July 2018, we published our [Best Practice Guidance](#) on Addressing Fair Work Practices (including the real Living Wage) in Procurement and a toolkit for public bodies and suppliers. Both the guidance and accompanying toolkit provided practical support to public bodies and suppliers in developing their approach to Fair Work in the procurement process.

In February 2019, we published our Fair Work Action Plan which included information on our Fair Work First policy. Fair Work First is our flagship policy for driving high quality and fair work across the labour market in Scotland by applying the Fair Work First criteria to grants, other funding and contracts being awarded by and across the public sector, where it is relevant to do so. These criteria focus on addressing particular labour market challenges which, if improved, can deliver sustainable and inclusive growth across Scotland and make a real difference to workers, employers, communities and the wider economy.

In January 2021, we published our [Fair Work First Guidance](#). This guidance is intended to be used by both Scottish public bodies and businesses and it is designed to encourage and support employers to adopt fair work practices within their organisations. We also plan to update the current suite of Procurement – Fair Work guidance, including the best practice guidance and toolkit, to reflect Fair Work First. This will be available on the [Procurement Journey](#) website.

We have also followed up on the Fair Work commitments we outlined in our last annual report. We committed to mainstreaming and extending the range of Scottish Government and public sector contracts that Fair Work criteria apply to, improving pay and conditions for those working in our supply chain. Since then, we have:

- updated Scottish Government procurement processes to encourage bidders to commit to Fair Work – this includes updating processes to include the refreshed Fair Work First criteria in all public contracts where it is relevant and proportionate to do so, with many other public bodies adopting similar steps
- started work with public bodies, prioritising the enterprise and skills agencies, to extend Fair Work First criteria, where appropriate, to more contracts
- produced specific guidance on how procurement can support the commitment to pay the real Living Wage to adult social care workers, including for sleepover hours, and those working to deliver the 1,140 hours of funded early learning and childcare entitlement
- clarified annual reporting expectations to make it easier to track progress in addressing Fair Work practices in regulated procurements

### 3.3 Good for places and communities

#### Spend (and savings) on goods, works and services that support delivery of public services

Data from the Hub shows that in 2018 to 2019, total Scottish public sector procurement spend (in Scotland and elsewhere) reached £12.6 billion.<sup>32</sup> In Scotland alone, total spend (where postcode is known) amounted to £6.9 billion. This spend has helped to support the delivery of high-quality and efficient public services that benefit places and communities across Scotland.

We promote the use of various approaches to support the delivery of financial savings in public procurement, from collaborative contracts to electronic tendering. Across 79 public bodies providing relevant information on cash savings delivered through regulated procurements in their annual procurement reports, a total of around £388.9 million cash savings were delivered. Non-cash savings of around £68 million were achieved between 54 public bodies.<sup>33,34</sup>

In their annual procurement reports, public bodies described how they had achieved a range of savings. Examples of how they achieved cost savings included:

- using collaborative frameworks
- implementing call-offs from local and national contracts
- ensuring that only procurement professionals carry out contract management activity

- activity at the pre- and post-procurement stages, such as Bidder and Applicant forms and Meet the Buyer events

Within the universities and colleges sector, many reported maximising their savings by using collaborative frameworks at local, sectoral and national levels. For example:

*“The University has been optimising use of national, sectoral, local or regional C1 collaborative contracts and frameworks. As well as bringing leverage based savings, the burdens of risk, contract and supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly. 35.2% of the University spend went through collaborative agreements.”*

*“Each year APUC reports the savings achieved via collaborative contract usage and undertaking tenders. The total saving that [Robert Gordon University] secured through contracts for 2018/19 was £603K (comprising £216K cashable savings versus previous price paid, and £387K non-cash savings versus the estimated market price). The savings achieved via RGU-ran tenders in 2018/19 was £290K – these are based on the cost of the successful bidder as measured against the mean price of all bids (which provides an approximation of current market value).”<sup>35</sup>*

<sup>32</sup> As a reminder, this figure is based on spend with suppliers that have been classed as commercial organisations or as non-trade social care providers and with whom individual public bodies spent over £1,000 in aggregate during the year.

<sup>33</sup> It was not always clear whether the savings data provided related to regulated or unregulated procurement spend.

<sup>34</sup> Savings figures for the 2018 to 2019 reporting cycle are lower than the figure we provided in our last report for the previous annual procurement reporting cycle (£540 million of savings achieved across 67 public bodies). This likely reflects the fact that the first annual procurement reporting cycle for public bodies was longer than one full financial year – 15 months for public bodies on the standard financial year and 19 months for universities and colleges.

<sup>35</sup> Taken from the [Robert Gordon University](#) annual procurement report for 2018 to 2019.

### Community benefit requirements in public procurement

Community benefit requirements continue to be embedded within the delivery of Scottish public sector contracts. We expect that public sector money should be spent in a way that aims to deliver the widest range of social, economic and environmental benefits possible to society, and the data suggests that the public sector is increasingly meeting these expectations.

In line with the 2014 Act, it is expected that Scottish public bodies will include community benefit requirements in all regulated procurements with an estimated value of £4 million or more, where they are considered relevant and proportionate to the contract in question. In the contract notice, public bodies must include 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 at or above this threshold.

Table 3: Number of contract opportunity notices with community benefit requirements published on PCS (including contracts under £4 million threshold) <sup>36</sup>				
Type of contract	2015-2016	2016-2017	2017-2018	2018-2019
Goods	0	57	99	120
Services	2	294	370	455
Works	79	228	374	334
<b>Total</b>	<b>81</b>	<b>579</b>	<b>843</b>	<b>909</b>

We continue to see an increase in the number of contract opportunity notices with community benefit requirements published on Public Contracts Scotland (PCS). In 2018 to 2019, 909 notices of this kind (including notices for contracts under the £4 million threshold) were published on PCS – an 8% increase on the figure for the previous year.

Under the 2014 Act, public bodies submitting annual procurement reports must, in their report, include a summary of any community benefits delivered that year through their procurements. Among the 49 public bodies which met the relevant criteria,<sup>37</sup> 194 regulated contracts at or above the £4 million threshold which included community benefit requirements were awarded during the reporting year. This means that 78% of all contracts at or above the threshold awarded by these public bodies included community benefit requirements.

<sup>36</sup> All figures in Table 3 were correct at the time of extraction from PCS.

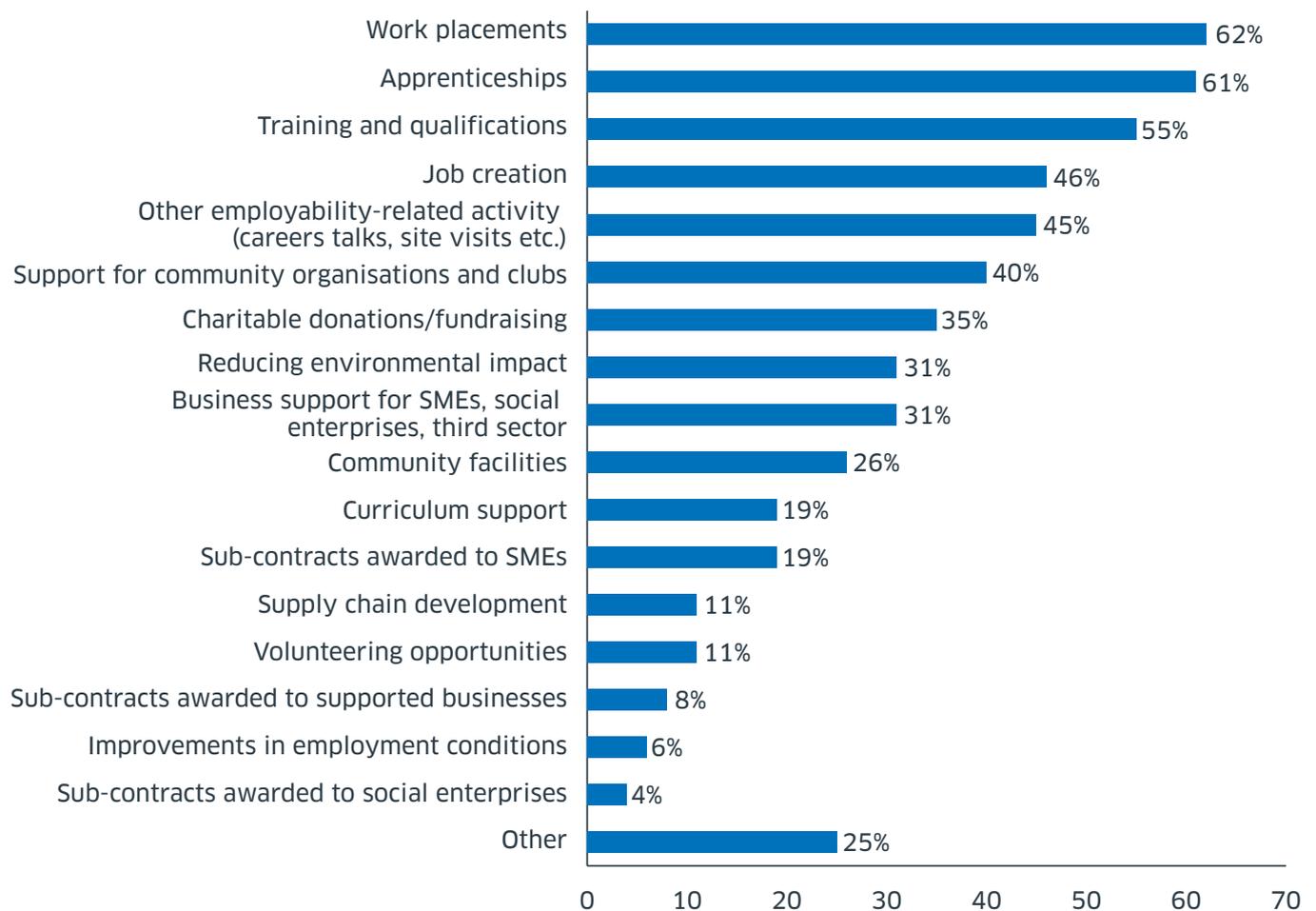
<sup>37</sup> By this, we mean public bodies which a) awarded at least one contract valued at or above £4 million during the period under analysis, and b) provided information in their annual procurement reports about the number of contracts at or above the threshold which included community benefit requirements.

Among the 96 public bodies providing relevant information in their annual procurement reports, some 941 regulated contracts with a value of less than £4 million, but containing community benefit requirements, were awarded during the reporting year. These figures are likely to be an underestimate because of the number of public bodies which did not provide this information, or provided it in a manner that was unclear.

A wide variety of community benefits were imposed during the reporting year. Of the 110

public bodies which submitted procurement reports for the period under analysis, 89 (81%) reported on community benefits delivered during the reporting period. As Figure 10 shows, among the 89 public bodies providing relevant information in their annual procurement report, employment- and employability-related community benefits were the most common – for example, work placements (reported by 62% of public bodies), apprenticeships (61%), and training and qualifications (55%).

**Figure 10: Types of community benefits delivered in 2018 to 2019<sup>38</sup>**



<sup>38</sup> Based on information from 89 public bodies.

In our previous report, we pledged to 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. Since then, we have:

- clarified the value of subcontracting as a community benefit<sup>39</sup>
- engaged with a wide range of public bodies to support their understanding of community benefits and to help them make best use of community benefits and other facets of the Sustainable Procurement Duty

More widely, we have observed an increasing commitment and diverse use of community benefits through our engagement with stakeholders, including the launch of a 'Community Benefits Wishlist' by Perth and Kinross Council.<sup>40</sup>

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<sup>39</sup> For more information, see [SPPN 5/2019](#).

<sup>40</sup> For more information, see the [Perth and Kinross Council website](#).

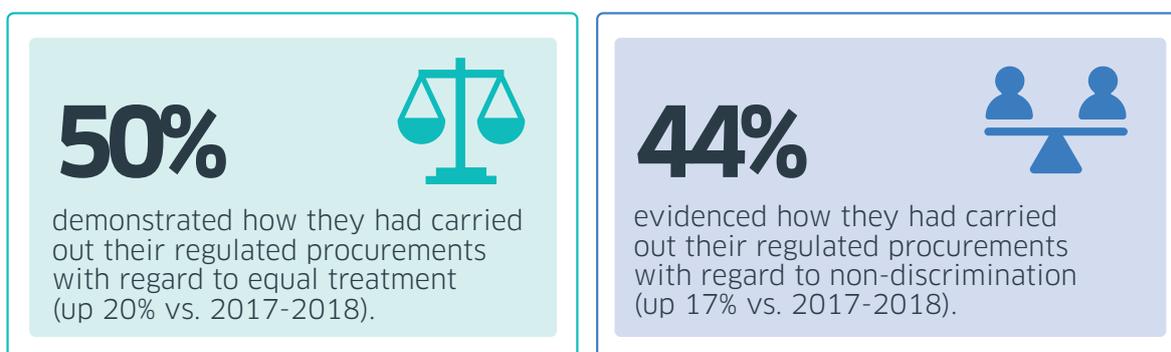
### 3.4 Good for society

#### Equality

In accordance with the General Duties, public bodies are required to treat their suppliers, and potential suppliers, equally and without discrimination. The evidence suggests that public bodies are increasingly taking cognisance of these duties.

The annual procurement reports are an importance source for understanding how public bodies have upheld these duties in practice. As Figure 11 shows, although there is no requirement in itself for public bodies to provide this information, public bodies are increasingly doing so.

**Figure 11: Proportion of public bodies providing evidence of conducting their regulated procurements with regard to equal treatment and non-discrimination<sup>41</sup>**



Public bodies have conducted their regulated procurements in line with equal treatment and non-discrimination in many ways, using approaches that were largely similar to those reported in the previous year. Examples from the annual procurement reports include:

- advertising regulated procurements widely, through Public Contracts Scotland and/or the Official Journal of the European Union
- using standardised procurement templates with clear language
- providing equality and diversity training to staff
- building equality and diversity requirements into tenders

- publishing procurement strategies, reports and forward plans on the public body's website

In our 2019 report, we committed to 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. Since then, we have updated the equality aspect of the sustainable procurement tools and guidance which encourages the public sector to take a relevant and proportionate approach. The updated tools and guidance were endorsed by the Equality and Human Rights Commission.

<sup>41</sup> Based on data from 110 public bodies' annual procurement reports.

### Climate change/circular economy

In line with the Sustainable Procurement Duty, public bodies must carry out activity related to climate change and other aspects of environmental wellbeing. There is a good amount of work being undertaken across the public sector to ensure that environmental considerations are reflected in procurement practice. In their annual procurement reports, 69 public bodies (63%) demonstrated that their regulated procurements were carried out with regard to environmental wellbeing and climate change.

Taken from the annual procurement reports, examples of how organisations have carried out their regulated procurements while being mindful of environmental wellbeing and climate change included:

- eliminating single-use plastics and seeking alternatives from suppliers
- introducing a pool car fleet service
- introducing activities such as educational projects in schools and woodland planting
- reducing travel by using Skype for meetings
- awarding a contract for recycled furniture to reduce waste going to landfill

Taken from its annual procurement report, the following extract demonstrates the approach taken by one public body to use public procurement to fulfil its duties around climate change:

*“Fife Council is a major procurer of goods and services within Fife. The embodied carbon of our up and downstream supply chain is likely to be a significant contributor to Fife-wide carbon emissions and to emissions further afield.*

*The Council is keen to try to reduce the environmental impacts of our procurement activities, and to use procurement to assist with compliance with our duties under the Climate Change (Scotland) Act and is seeking to do this via a number of activities. The Procurement service works with other services to develop contract terms and procurement award criteria. Procurement weightings are developed in collaboration with the service area. If any barriers are identified in such discussion, effort is made to overcome these barriers.*

*We utilise the Scottish Government’s ‘Procurement Journey’ guidance in terms of best practice. This includes considerations such as sustainability and climate change mitigation and tools are provided to be utilised with the goods/services that are intended to be procured in mind. Mainstreaming these best practice principles to our procurement activities will contribute to our compliance with climate change duties.”<sup>42</sup>*

Reflecting our commitment in our previous report to support public bodies to mainstream sustainable procurement decisions to maximise the benefits of procurement spend for Scotland, we have updated the sustainable procurement tools so that their content is consistent with efforts to tackle the Global Climate Emergency.

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<sup>42</sup> Taken from the [Fife Council](#) annual procurement report for 2018 to 2019.

### 3.5 Open and connected

#### Increasing transparency and greater openness

In line with the General Duties, public bodies must also ensure transparency and openness in their regulated procurement processes. Public Contracts Scotland (PCS) – our single advertising portal for public contracts – continues to be key in raising awareness of the opportunities that exist for businesses of all sizes and sectors to work with the Scottish public sector. We have already highlighted public bodies' increased use of the portal to advertise contracts during the year and this has undoubtedly brought greater transparency and openness to the procurement process.

The annual procurement reports also show that public bodies are working in an open and transparent manner in their procurement exercises. Seventy-five per cent of public bodies provided evidence of transparency within their procurement reports – an increase since 2017 to 2018 (63%). As in the previous year, common methods of ensuring transparency in procurement included:

- using PCS to publish a contracts register and/or procurement opportunities
- providing expenditure data on the Scottish Procurement Information Hub
- stating contract requirements clearly in all tenders
- updating public bodies' corporate websites to ensure ease of access to relevant information about procurement

In our previous report, we said that we would commit to publishing a spend dashboard on an annual basis as part of our ongoing work on improving transparency of public procurement in Scotland. In line with this commitment, we:

- are developing a dashboard to cover procurement spend across all sectors
- continue to publish [all spend over £25,000](#) as well as spend over £500 recorded on the electronic Purchasing Card
- published information on our [spend with the top 50 suppliers](#) by value, for the 2019 to 2020 financial year

#### Working across boundaries/collaboration

Within procurement, working across organisational boundaries and in collaboration with others can help public bodies to achieve value for money, while also bringing about greater efficiency in the procurement process and enabling businesses of all sizes to continue to have the opportunity to bid for public contracts.

The four procurement Centres of Expertise in Scotland provide advice and support to the Scottish public sector and they play a key role in encouraging collaborative working across the public sector and the supplier base.<sup>43</sup> The Scottish Government, for example, awards collaborative agreements for the central government sector and also for the whole of the public sector. These agreements can be used by public bodies and third sector organisations to procure a wide variety of goods and services.

<sup>43</sup> The four procurement Centres of Expertise in Scotland 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.

**Table 4: Collaborative spend across the public sector (£million)**

Year	Sector				Total
	Health	Local government	Universities and colleges <sup>44</sup>	Central government	
2016-2017	1,388	839.4	267	255.3	<b>2,749.7</b>
2017-2018	1,400	899.4	326	199.7	<b>2,825.1</b>
2018-2019	1,338	944.7	344	239	<b>2,865.7</b>

Using figures provided by each of the four Centres of Expertise, Table 4 provides information about aggregated collaborative spend across the public sector. It shows that the value of collaborative spend across the public sector continues to grow, increasing by £40.6 million in the last year alone.

The annual reports further indicate that public bodies have worked collaboratively with others to achieve a wide variety of outcomes in 2018 to 2019. Eighty-seven (79%) public bodies provided evidence of activity related to maximising efficiency and collaboration in their procurement report.

Many public bodies have formed effective working partnerships with other public bodies, used collaborative contracts and engaged in collaborative frameworks and agreements. Other examples of collaborative working from the annual procurement reports included:

- conducting spend analysis to identify collaborative opportunities
- attending training events and cluster group meetings involving other public bodies, to share best practice in procurement

- participating in national and regional strategic working groups
- increasing buying power by collaborating with other internal departments through the shared procurement service
- working with partner local authorities to share best practice, identify and consolidate spend opportunities, and identify new models for service delivery

In our previous report, we pledged to continue to share best practice and evolve our systems, tools and processes. With this in mind, since then, we have:

- relaunched the Procurement Journey and Supplier Journey to provide an improved user experience and additional guidance and support for buyers and suppliers
- developed the eCommerce & Procurement Best Practice Shared Service Operational Plan for 2020-2023 which highlights key areas of development and improvement
- committed to reviewing the Operational Plan each year and working with public bodies and service providers to ensure continuous improvement of the eCommerce solutions and best practice tools

<sup>44</sup> Figures for the universities and colleges sector are based on academic years - some past reports were compiled based on fiscal years so may be reported slightly differently.

We also said that we would 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. To this end:

- following consultation with suppliers, we are currently in discussions with public sector colleagues about an improved management information platform, which we intend to go to market for in spring/summer 2021
- we have developed a positioning paper and graphical representation of the current situation and future solution with which to support market engagement
- we are carrying out continuous improvement by reviewing and improving the data in eCommerce systems so as to make management information more robust and accurate

### **Promoting Scotland's public procurement globally**

Despite the important role that public procurement plays in stimulating the economy and in delivering a wide range of benefits to society in Scotland, it is important to also acknowledge the good work that continues to be undertaken to cement Scotland's reputation as a world leader in public procurement policy and practice, and our ongoing efforts to promote Scottish procurement globally. Such work allows us to share best practice and lessons learned from Scottish public procurement with policymakers and professionals from across the world and, at the same time, learn from the innovative work undertaken elsewhere.

Some examples of the work we undertook in 2018 to 2019 included:

- improving the Public Contracts Scotland portal to ensure that more of the information published on the website conforms to the internationally-recognised Open Contracting Data Standard
- demonstrating our Procurement Journey tool to representatives of other governments, and sharing learning from the tool's development with governments across the world
- being invited to support the EU Commission in its development of a European Competency Framework for Public Buyers
- participating in international programmes, conferences and events – for example, the World Bank's Global Conference on eProcurement and the European Commission's Multi-Stakeholders Expert Group on eProcurement<sup>45</sup>

<sup>45</sup> Taken from the [Scottish Government](#) annual procurement report for 2018 to 2019.

## 4. Future procurement activity

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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. All 110 public bodies which submitted an annual procurement report for 2018 to 2019 provided a summary of the regulated procurements expected in the next two financial years. An estimated 6,028 regulated procurements are expected to commence in the next two years. Ninety-six (87%) public bodies gave information about their estimated procurement budget. Among these public bodies, the total estimated value of regulated procurements expected to begin in the next two years is around £12.3 billion.

The annual procurement reports illustrate the wide scope of expected procurements. While there were often similarities in the types of procurements expected across sectors, such similarities were also evident within individual sectors. For example:

- local government – peer support for mental health, sports facilities and early years training providers
- central government – application management, support services and digital skills
- health – hospital refurbishments, clothing sterilisation and vehicle maintenance services

- universities and colleges – graduation services, student counselling services and audio-visual equipment maintenance
- registered social landlords – IT hardware, landscape maintenance and asbestos inspections

While actual procurement activity may change in line with changing circumstances or priorities, such transparency and visibility enables those wishing to do business with the public sector to gain an early indication of future contract opportunities. At the same time, it also helps public bodies to identify opportunities to collaborate with one another in relation to their future activity.

## 5. Conclusion

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There is a lot to be positive about. Public procurement spend continues to represent a significant component of the Scottish economy, making an important contribution to Scottish GDP and full-time employment. Scottish public sector bodies have conducted their procurement processes in a manner which is open and connected and good for businesses, communities and wider society.

This report has highlighted a range of examples of good procurement practice from across the public sector and the annual procurement reports remain key to our understanding of the full scope and scale of public procurement activity in Scotland. The quality of annual procurement reports has improved since last year and this report has many examples of public bodies increasingly documenting their commitments and activities. It is likely that the quality of reporting will continue to improve as the process becomes further embedded into routine practice.

Steady progress is being made to ensure that SMEs, third sector organisations and supported businesses are able to access contract opportunities, and that they are supported along every step of the way.

Public bodies are increasingly working in collaboration with others, both within Scotland and further afield, and great efforts also continue to be made to promote Scottish procurement at an international level and to strengthen Scotland's reputation as being at the forefront of procurement policy and practice.

Despite these successes, we must not become complacent. Where SMEs, supported businesses and third sector organisations are concerned, it is important that a level playing field is created and maintained, enabling those who are interested in contracting with the public sector to have the opportunities to do so. We need to ensure that the good work and strong levels of commitment that public bodies are displaying with regard to SMEs, supported businesses and third sector bodies is translating into practice which can be evidenced at a local, regional and national level.

The Scottish Government's dedication to Fair Work is longstanding and is shared by partners across the public, private and third sectors, and among trade unions and others who will help us deliver this agenda. Good work is evidently being done in relation to Fair Work considerations, but we still have work to do to ensure that Fair Work matters and wider equality outcomes are embedded in more contracts.

Our Fair Work approach continues to gain momentum across the public sector and ministers continue to engage to promote the important role that public bodies play – most recently, encouraging them to adopt the Fair Work First criteria within their organisations and apply it to the funding they administer.

Businesses in communities across Scotland are benefiting from public body procurement spend and there is a good spread of spend across communities with different levels of socio-economic advantage. Recent global events have underlined the importance of ensuring that our public services are responsive, adaptable and fit for purpose, and it is vital that we strive to do more to use our spend to build diverse, resilient and responsible supply chains, maximising the local benefits of public procurement.

Importantly, we are harnessing the opportunity to learn from our experiences and building on steps taken to deliver the procurement outcomes that we are all seeking to achieve – procurement that is:

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

These steps are reflected in our commitments within the [Economic Recovery Implementation Plan](#) that was published in August 2020 and the Government's [Programme for Scotland](#) that was published in September 2020. In our Economic Recovery Implementation Plan, we set out our approach to driving our sustainable economic recovery. We committed to ensuring that local businesses and the third sector are aware of procurement opportunities and are able to respond; and to make it easier for local suppliers to win contracts and to maximise support for local supply chain development. We also committed to help mobilise our £12.6 billion annual public procurement spend to support our climate emergency response and to underpin our longer term climate and circular economy ambitions. We are continuing to fund the Supplier Development Programme while exploring ways in which we can increase capability and capacity to grow our local markets.

As our economic recovery from the pandemic continues, it is vital that we keep pace with these commitments. These commitments demonstrate how we will maximise the inclusive and green economic impact of public procurement and ensure that we are working collaboratively to support the delivery of public services that are high quality, continually improving, efficient and responsive to local people's needs.



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