



Scottish Government
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Annual Report on Procurement Activity in Scotland

An overview of
procurement
activity 2019-20



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Contents

Ministerial foreword	4
1. Introduction	6
2. Highlights	11
3. Summary of procurement activity in Scotland	14
3.1 Overview of procurement activity	15
3.2 Good for the economy	19
3.3 Good for businesses and their employees	20
3.4 Good for places and communities	30
3.5 Good for society	36
3.6 Open and connected	39
4. Future procurement activity	47
5. Conclusion	49

Ministerial Foreword



The Scottish Government has bold and ambitious plans for Scotland's future. A future where Scotland is a world leader and a better place to live and work. Procurement plays a critical role in supporting aspirations.

Through taking a distinctive approach to the pursuit of inclusive, net zero economic growth, the Scottish public sector is using its considerable procurement spending power of £13.3 billion to focus on the singular goal of delivering for Scotland.

The £13.3 billion of procurement spend supported around £11.8 billion of economic activity and around 120,000 full-time equivalent jobs, contributing around £6.5 billion to Scottish GDP. The report reveals that procurement spend with Scottish-based suppliers has gone up, as has spend with suppliers based in the 60% most disadvantaged areas in Scotland compared to the previous report.

This report demonstrates the actions being taken across the public sector to address global, national and local issues. The management of the EU Transition made this a challenging year, with the arrival of the COVID-19 pandemic in March setting the tone for an even more challenging year to come, placing procurement at the forefront of service delivery and keeping essential public services running.

To help address this the Scottish Government has built upon previous successes, striving to continuously improve public procurement in Scotland. There are many examples of innovation, professionalism, and determination to meet these challenges. The public sector has delivered with integrity and speed, and now more than ever, we need to apply the lessons learned during the pandemic to our ways of working to build a stronger future. Through embedding greater levels of resilience and diversity in supply chains and working with business communities, the public sector can really harness innovation and use its skills and strengths to ensure that Scotland will thrive.

Public bodies are continuing to work effectively with partners and stakeholders across Scotland, conducting their procurement processes in a manner that is good for society, good for businesses and their employees, good for places and communities, and open and connected. Public bodies are continuing to embed community benefits and fair work requirements into public contracts, delivering a wide range of benefits for businesses, communities and society as a whole. These contribute to a range of national and local outcomes relating to employability, skills and tackling inequalities, ensuring that under-represented groups and those in our most disadvantaged communities are not being left behind.

To support this the public sector continues to improve access to contracts for SMEs, the third sector and supported businesses, ensuring they have the support they need to deliver on these requirements and bid for contracts. During the reporting period, 79% of suppliers winning contracts on Public Contracts Scotland were SMEs and 63% were Scottish-based SMEs, clearly demonstrating our commitment to them.

It is also vitally important that the Scottish Government continues to focus on using procurement to deliver on its broader ambitions. There is an imperative to respond to the global challenge of climate change and the Scottish Government has set ambitious carbon reduction targets. It is committed to using procurement to underpin those targets and will continue to embed climate considerations into its approaches, integrating climate action into contract and supplier management activities and, by working closely with stakeholders and suppliers, to influence a green recovery from the COVID-19 pandemic, and wider circular economy ambitions. That includes challenging ‘whether’ we buy, ‘what’ we buy, and ‘how much’ we buy, as well as ‘how’ we buy.

As we look to the future and the economic challenges we face, the Scottish Government will be progressive, bold and ambitious, leveraging the full power of procurement to deliver better impact and outcomes for the people living in Scotland and deliver its ambitions for a more inclusive and green society.

The Scottish Government invites everyone who has an interest in doing business with the public sector to take advantage of the progressive approach to public procurement and think innovatively about how public bodies can deliver fair work practices, a strong recovery and provide maximum value for the communities, businesses and people of Scotland together.

Ivan McKee MSP – Minister for Business, Trade, Tourism and Enterprise

1.

Introduction



Background and legislative context

The Scottish Government uses the term ‘public procurement’ to describe how Scottish public bodies set up and manage contracts, suppliers and supply chains to deliver goods, services and construction (called ‘works’ in procurement legislation).

In Scotland, the [Procurement Reform \(Scotland\) Act 2014](#) ('the 2014 Act') provides a legislative underpinning to Scottish public bodies' procurement practices.¹ The 2014 Act is designed to support economic growth through improved procurement practice by providing a national legislative framework for sustainable public procurement. It imposes a small number of general duties on public bodies in relation to their procurement activities, as well as some more specific measures designed to promote transparency and consistency across the public sector.

The 2014 Act also places a requirement on public bodies which expect to have significant procurement expenditure (at least £5 million regulated procurement spend)² in a given financial year, to prepare an annual report on its regulated procurement activities after the end of that financial year. While public bodies with an estimated regulated procurement spend of less than £5 million are not required to produce an annual procurement report, some still do so as a matter of good practice. Although the 2014 Act contains a small number of minimum requirements for annual procurement reports, each individual report also describes the organisational aims and objectives of the public body it represents. As such, the annual procurement reports are somewhat varied in their contents.

Drawing on data from the annual procurement reports for the 2019 to 2020 reporting year and from other sources, this document is the third annual report by Scottish Ministers on the procurement activity of higher spending public bodies in Scotland. It provides an overview of public body procurement activity across Scotland and helps to bring added transparency and visibility to the public procurement process.

In Scotland, public sector procurement activity is underpinned by four key outcomes which are aligned to the Scottish Government's National Performance Framework. With these four outcomes in mind, this report will demonstrate the role of the Scottish public sector in delivering sustainable, inclusive economic growth in a manner that is:

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

¹ The term ‘public bodies’ refers to all organisations which are subject to public procurement laws. This includes central government, local government, universities and colleges, health bodies and registered social landlords.

² 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.

Figure 1:

The four outcomes for Scottish public sector procurement



The importance of public procurement in driving such growth is all the more relevant in the context of our recovery from the COVID-19 pandemic. While Scotland formally entered a lockdown with just one week of the standard 2019 to 2020 financial year remaining (which most – but not all – public bodies adhere to), this report will provide some insight into the ways in which public bodies, suppliers and wider supply chains

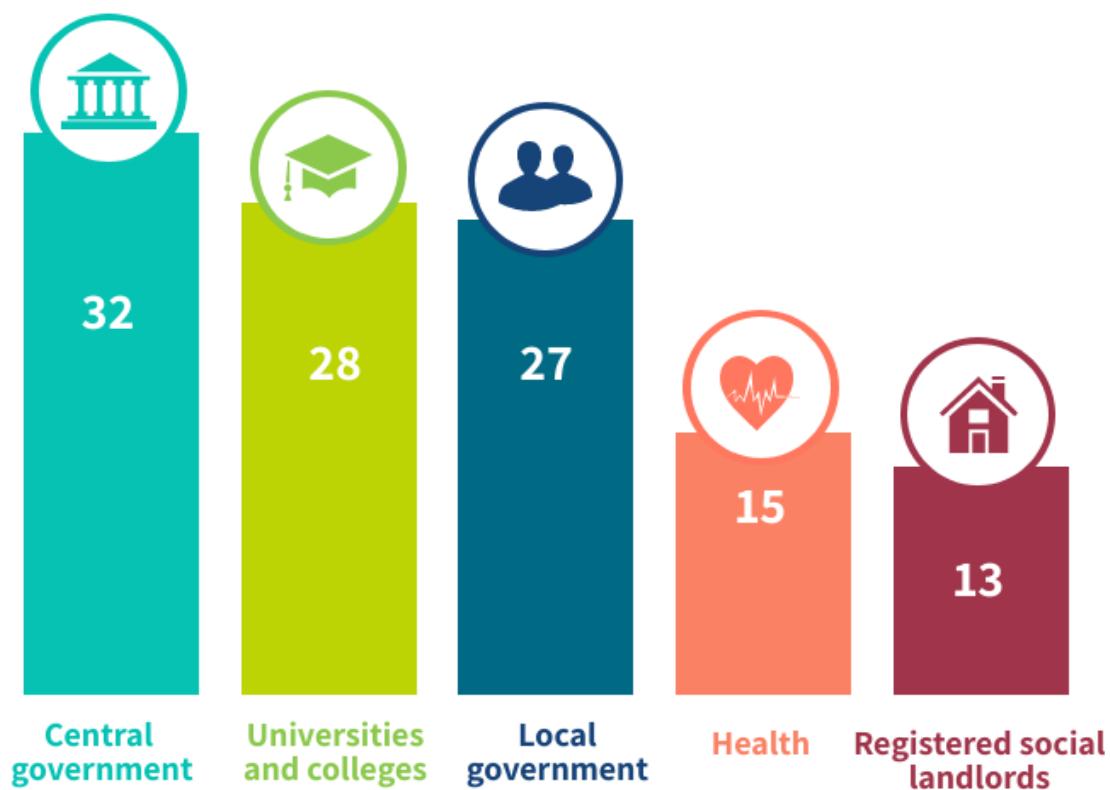
were affected by the initial stages of the pandemic. While the Scottish Government expects to report more fully on the impact of the pandemic on public procurement in the next report, the information from the annual procurement reports for this reporting cycle suggests that COVID-19 was already having an impact on procurement activity at the end of the 2019 to 2020 financial year.

Methodology

This report uses information taken from the 115 annual procurement reports that were published by Scottish public bodies to cover the 2019 to 2020 reporting period – this is a slight increase on the 110 reports received for analysis in the [last report](#). The information from these reports is analysed alongside the quantitative data obtained through the standardised data template and

other supplementary information provided by those bodies. Figure 2 below provides a breakdown of the 115 annual procurement reports analysed by sector.

Figure 2:
Number of annual procurement reports
analysed by sector (2019 to 2020)



The other main source consulted in this report is Scottish public bodies' procurement spend data, which is made available through the Scottish Procurement Information Hub ('the Hub'). Each year, the Scottish Government requests raw accounts payable data from public bodies across Scotland. This data is then uploaded to the Hub, where it is made available for analysis. The data is also enhanced using publicly available data in order to classify suppliers by size, location, area of business, charity status and other characteristics. During the reporting period, 105 Scottish public bodies had their data published on the Hub – an increase on the 102 organisations that submitted their data to the Hub in the previous reporting year.³

The report also draws on information obtained from elsewhere – for example, through the Public Contracts Scotland (PCS) website and from the Supplier Development Programme.

As mentioned in the [previous](#) annual report (which focused on the 2018 to 2019 reporting year), it is important not to make any direct comparisons between data from different sources – in particular, the data from the annual procurement reports on one hand and the spend data from the Hub on the other hand – due to the differences in scope and data collection methods that apply to each source.⁴ As such, the sources have not been used to draw any direct comparisons but, rather, they have been combined to provide a strong overview of public sector procurement activity in Scotland.

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- 3 The information 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 £1,000 or more in aggregate in that year.
 - 4 The spend data from the Hub and the majority of annual procurement reports data relates to the financial year April 2019 to March 2020. However, the financial year for universities and colleges runs from August 2019 to July 2020 and this is reflected in the data. Second, 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. Third, 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.



2. Highlights

Overview of procurement activity

5,043

5,043 regulated contracts were awarded (compared with 4,289 last year).



£13.3bn

Total Scottish **public sector procurement spend** (in Scotland and elsewhere) **reached £13.3 billion**. In Scotland alone, **total spend was £7.4 billion** (compared with £6.9 billion last year).



£5.4bn

Total Scottish public body procurement spend with SMEs (regardless of location) was £5.4 billion. This amounts to 46.2% of all spend.



Good for the economy

£11.8bn

The £13.3 billion of procurement spend **supported around £11.8 billion of economic activity** and around **120,000 full-time equivalent jobs** and **contributed around £6.5 billion to Scottish GDP**.



Good for society

81%

81% of public bodies **provided evidence in their report of the ways in which they had carried out their procurement activity** with regard to equal treatment, while 77% did so in relation to non-discrimination (compared with 50% and 44% last year).



67%

67% of public bodies **provided evidence in their annual procurement reports that their regulated procurements have been carried out** with regard to environmental wellbeing and climate change (compared with 63% last year).



Good for businesses and their employees

25,611

The £7.4 billion of Scottish public body procurement spend in Scotland **was spent with 25,611 suppliers**, with many more businesses benefiting within our supply chains.



58 pence

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



£808.3m

£808.3 million of **Scottish public bodies' procurement spend in Scotland** was with suppliers which were also registered charities.



Good for places and communities

£3.8bn

A combined £3.8 billion (or 52.8% of spend in Scotland) **was spent with suppliers based in the 60% most disadvantaged areas in Scotland** (compared with £3.6 billion last year).



188

Of the 46 public bodies that reported awarding at least one contract valued at or above the £4 million threshold, **188 regulated contracts** were awarded **with community benefit requirements**. This equates to 79% of all contracts of this value awarded by public bodies (compared with 78% last year).

Open and connected

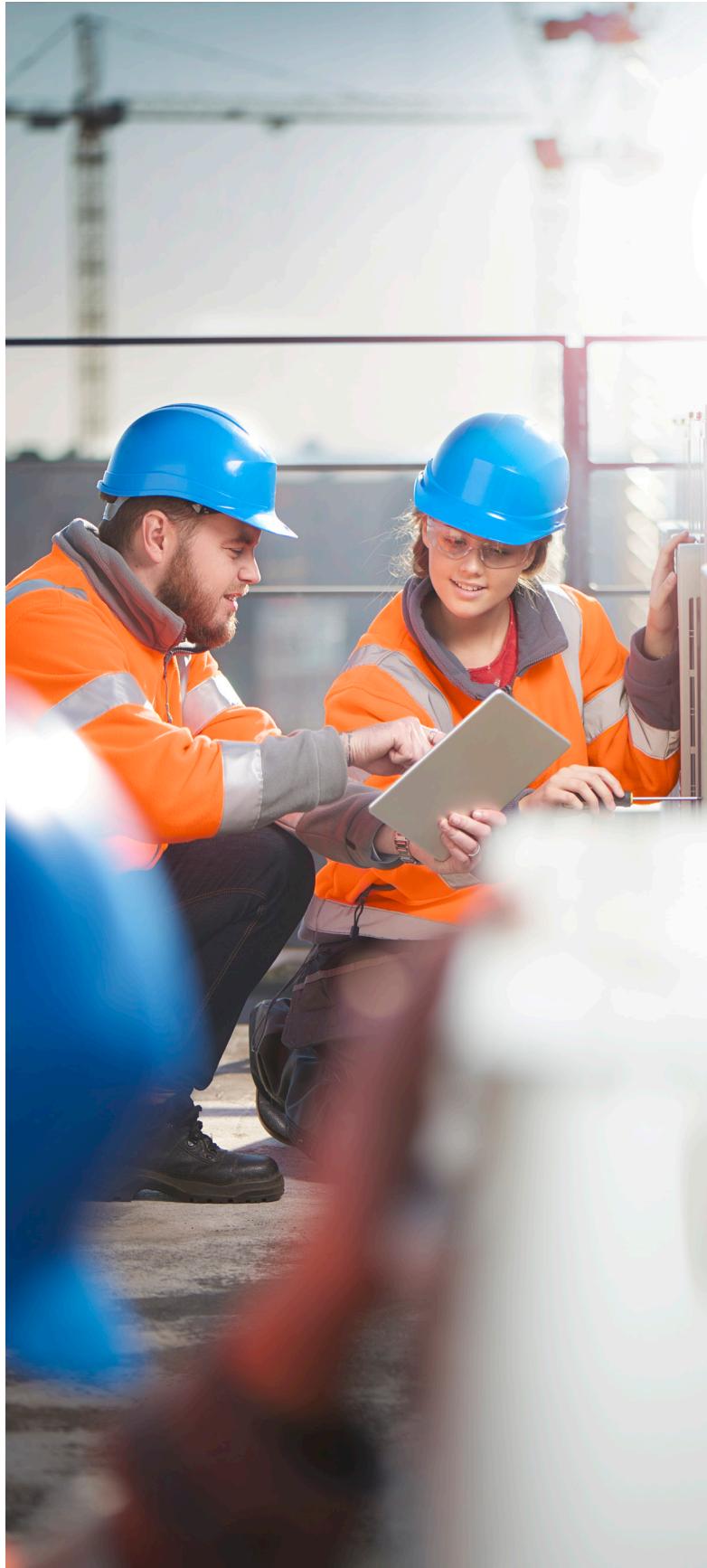
79%

79% of public bodies **provided evidence** in their reports that they had **carried out their procurements in a transparent manner** (compared with 75% last year).



3.

Summary of procurement activity in Scotland



3.1 Overview of procurement activity

Summary of regulated procurements

Of the 115 public bodies which submitted an annual procurement report for their 2019 to 2020 financial year, 102 (89%) provided information on the total number of regulated contracts procured during the year. Across these 102 public bodies, 5,043 regulated contracts were procured. This is more than the 4,289 regulated contracts procured across 110 public bodies, that the Scottish Government highlighted in the [last report](#).

One hundred and two public bodies also provided information about the value of regulated procurements awarded during the year, reporting a total combined value of around £9.6 billion.

The annual procurement reports show that a wide range of goods, works and services have been procured during the year, from higher value contracts such as the delivery of social care services to lower value contracts such as maintenance and refurbishment services. For example:

- in the health sector – ophthalmic image/ data management systems, MRI and CT scanners, sterile scissors, soft tissue repair mesh and hospital shop supplies
- in local government – school transport services, temporary accommodation, power tools, quantity surveying services and media advertising services
- across registered social landlords – heating upgrades, legal services, site development, smoke alarms and construction of new build housing
- within central government – parking management, transport research, lift modernisation and maintenance, facilities management services, traffic barriers and controls, and business continuity services
- among universities and colleges – data privacy impact assessment tools, sports hall flooring, audio visual equipment, confocal laser scanning microscopes, and building environment management systems.

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

Information from the Hub shows that during the reporting period, total Scottish public sector procurement spend (in Scotland and elsewhere) reached £13.3 billion. This is an increase on the £12.6 billion of spend in 2018 to 2019. In Scotland alone, total spend (where ONS region⁵ is known) was £7.4 billion - again an increase on the spend in Scotland in the previous year (£6.9 billion).



£13.3 billion

Total Scottish public sector procurement spend (in Scotland and elsewhere) reached £13.3 billion (compared with £12.6 billion in 2018 to 2019).

Scottish public bodies are spending an increasing amount of money on goods, works and services that support the delivery of public services. At the same time, they are also achieving financial savings through their procurement activity. The annual procurement reports show that public bodies are using a range of approaches to drive and measure savings and efficiencies, including collaborative contracting, sorting regulated procurements into categories to enable aggregation opportunities, embedding savings-tracking methodologies into their procurement approach and reporting on savings opportunities from key contracts.



£7.4 billion

In Scotland alone, total spend was £7.4 billion (compared with £6.9 billion in 2018 to 2019).

Sixty-seven public bodies provided information in their annual procurement reports about the cash savings that they achieved on their regulated procurements. The total cash savings recorded by these public bodies was £167.7 million. Fifty public bodies provided data on the non-cash savings achieved on their regulated procurements and these non-cash savings were equivalent to a cash value of £29.3 million. There are significant further efficiencies delivered throughout the Scottish Procurement system as a result of collaborative and joined-up ways of working which are not tracked and measured.



£167.7 million

Across 67 public bodies, total cash savings achieved on regulated procurements was £167.7 million.

⁵ 'ONS region' is a reference to regional boundaries determined by areas specified by the Office for National Statistics.

Impact of the EU Exit and COVID-19 on procurement activity and reporting

In the reporting period, there was a significant focus on risk and contingency management to support the final transition of the UK out of the European Union. Working with suppliers to identify and mitigate risks in the supply chain, public bodies and their Centres of Procurement Expertise worked collaboratively across respective communities to manage expectations, make preparations and to ensure that the necessary contingencies were in place to handle any issues arising.

Business and supply chain continuity became a key focus of procurement once the pandemic hit, requiring procurement teams across the public sector – and their suppliers – to completely refocus and repurpose their priorities and resources to support the pandemic, stopping or delaying work which could be stopped or delayed to address critical issues.

At the beginning of the pandemic, the Scottish Government took swift action to provide guidance to public bodies to help minimise the impact on public procurement activity as far as possible. For example, in March 2020, the Scottish Government published two policy notes covering procurement-related issues resulting from the outbreak. In [SPPN 04/2020](#), it provided guidance on the handling of some procurement-related issues as a consequence of the outbreak, while in [SPPN 05/2020](#) it set out guidance on public bodies' options for paying their suppliers to support cash flow and ensure service continuity during the pandemic.⁶

The annual procurement reports highlight both the nature and scale of the issues facing public bodies at the beginning of the outbreak. Sixty-five public bodies (57%) provided information in their reports about the impact of the pandemic on their procurement activity and processes during the 2019 to 2020 reporting period.

Some public bodies highlighted their actions in engaging in the procurement of specific goods or services such as Personal Protective Equipment (PPE). For example, as [NHS National Services Scotland](#) said in their report:

“

In response to the emergency, we had to completely and rapidly re-organise our organisation towards dealing with this very serious crisis, our primary goals were to ... secure much needed Personal Protective Equipment (PPE) to keep our hospital and social care colleagues safe whilst providing critical care.... Additionally, we responded to a call to action to support colleagues with critical PPE equipment in the social care arena, an area that historically we have not played a major role; however, using our skills knowledge and hard work we supported this sector on top of our traditional acute customer base.”

⁶ The Scottish Government later issued a series of [SPPNs](#) and a separate series of [Construction Policy Notices](#) during the COVID-19 outbreak to provide guidance to public bodies and support ongoing goods, services and works-related matters during the pandemic.

The NHS worked closely with Scottish Government Economic Development and Enterprise to develop new PPE supply chains to assure front line service continuity, working collaboratively with the Scottish Government and others across the public sector to formulate a strategy and approach to handling national PPE supply chains and logistics. While this work was initiated in March 2020, the focus on PPE and collaborative working continued well beyond the reporting period and will be detailed in the Scottish Ministers Annual Report for the reporting period 2020 to 2021.

Meanwhile, [NHS Dumfries & Galloway](#) revised their governance arrangements to facilitate the procurement of urgent medical supplies:

Others highlighted the steps that they took to reduce the impact of the pandemic on their suppliers. For example, [Abertay University](#) extended some of its contracts:

“

The onset of the COVID-19 pandemic in March 2020 resulted in a small number of contracts being extended using the extenuating circumstances set out within the Scottish Procurement Policy Note (SPPN) 4/2020. These extended contracts have been added to the forward plan of activity.”

The impact of COVID-19 was also manifest in a range of other ways, with public bodies' reports also referring to advanced payments, delays in procurement exercises, reductions in spend, reduced opportunities for community benefit requirements, and postponement of procurement-related events.

Ten public bodies (9%) commented on the impact of the COVID-19 pandemic on the process of preparing their annual procurement report for the year. For some public bodies, it was not possible to collect all of the required data (for example, procurement spend figures and data around community benefits), while others identified difficulties in forecasting their future procurement activity. It is important to bear these issues in mind when considering the data taken from the annual procurement reports for 2019 to 2020.

“

NHS Dumfries and Galloway instigated the major incident command and control structure on the 16th March 2020 to deal with the impending emergency and to implement the service changes that were required to be put in place to minimise the spread, impact and mortality of the COVID-19 pandemic on the population of the region. From this point revised governance arrangements were put in place one of which was the approval of [a Standing Financial Instructions] waiver in relation to urgent supply where the appropriate General Manager or Director deemed that the standard procurement rules could not be adhered to. The waiver was used for seven orders during March 2020, one of which was over the regulated procurement value of £50k [for hospital beds and mattresses].”

3.2 Good for the economy

Public procurement represents an important part of the Scottish economy. Using the latest Scottish Government Input-Output model of the economy,⁷ it is estimated that the £13.3 billion of Scottish public bodies' procurement spending in 2019 to 2020 supported around £11.8 billion of economic activity and around 120,000 full-time equivalent jobs, and contributed around £6.5 billion to Scottish GDP within the wider domestic economy when taking into account supply chain and re-spending of wage effects. This represents around 4% of the Scottish economy.



£11.8 billion

The £13.3 billion of procurement spend supported around £11.8 billion of economic activity and around 120,000 full-time equivalent jobs, and contributed around £6.5 billion to Scottish GDP.

⁷ The Input-Output model provides an overview of the flows of goods and services in the Scottish onshore economy over a given year, providing information about the relationship between producers and consumers and the interdependencies of industries. For more information, see the [Scottish Government website](#).



3.3 Good for businesses and their employees

3.3.1 Access to contracts

As part of the Sustainable Procurement Duty, Scottish public bodies are required to consider how they might facilitate the involvement of Small and Medium Enterprises (SMEs), third sector organisations and supported businesses in their procurement activity. This is in recognition of the important role that these organisations play in driving economic growth in Scotland. The [last report](#) showed that over the last few years, public bodies gained considerable momentum in helping SMEs, third sector organisations and supported businesses to access public contracts.

Since the [last report](#), the Scottish public sector has maintained that momentum. The Public Contracts Scotland (PCS) website makes it easier for businesses of all kinds to access and win public contracts, particularly the Quick Quotes functionality which public bodies use to advertise lower-value contracts, which are particularly important for smaller businesses. During the reporting year, 5,108 new supplier registrations were received – a 28% increase on the number of new registrations received during the previous year (3,989).⁸

[In the 2019 to 2020 reporting period](#), 15,870 new public sector business opportunities were advertised on PCS. Ninety-two per cent of these opportunities were for low-value contracts, of which 85% were Quick Quotes. Moreover, 76% of suppliers awarded contracts through PCS were Scottish, 79% were SMEs and 63% were Scottish-based SMEs.



⁸ Note that one supplier registration does not necessarily equate to one supplier. This is because more than one registration can be received from the same supplier.



The Scottish Government has continued to provide a contribution of funding to enable the Supplier Development Programme (SDP) to offer training and support to Scottish-based SMEs, third sector organisations and supported businesses around accessing and winning public contracts. [As of the 2019 to 2020 financial year](#), there were 16,235 Scottish-based SMEs registered with the SDP in total. During the year, 1,600 unique businesses attended SDP training events, while the programme also received a record 2,623 registrations for its Meet the Buyer event in November 2019.



16,235

As of 2019 to 2020, 16,235 Scottish-based SMEs were registered with the SDP in total.

The Scottish Government recognises that the 16,235 businesses which have registered with the SDP represents a relatively small proportion of the total number of SMEs in Scotland (361,875, according to the [Businesses in Scotland](#) dataset).⁹ While this suggests that there is potential for key procurement support mechanisms to keep growing and reaching more businesses, it is also a reflection of the fact that not every SME will be interested in contracting with the Scottish public sector. The Scottish Government is encouraged to see that those who are interested in bidding for public contracts are engaging with the available training and support.

Taken from its annual procurement report, the following example shows how the [City of Edinburgh Council](#) has delivered engagement activity designed to help Scottish businesses to access public contracts, building on the SDP's Meet the Buyer events.

“

Earlier in the [financial year], in May 2019, Commercial and Procurement Services hosted a local ‘Meet the Real Buyer’ event in Waverley Court. This provided an opportunity for local suppliers to meet directly with service areas to understand their needs and future opportunities. There were 220 attendees, engaging with various divisions including, Parks and Greenspace, Transport Infrastructure, Property and [Facilities Management], Children’s Services and Health and Social Care. The event included workshops for those new to public procurement, delivered by the Council and an introduction to Public Contracts Scotland delivered by the Supplier Development Programme and offering insights and tips to help get the best outcomes, as well as a number of breakout sessions on key topics such as community benefits.”

⁹ As at March 2020.



3.3.2 SMEs

The Scottish public sector continues to do much of its business with SMEs based in Scotland and further afield. Information from the Hub shows that in 2019 to 2020, total Scottish public body procurement spend with SMEs, regardless of location, was £5.4 billion. This amounts to 46.2% of all spend where business size is known (£11.7 billion).



£5.4 billion

Total procurement spend with SMEs, regardless of location, was £5.4 billion. This equates to 46.2% of all spend.

When we focus specifically on spend in Scotland, SMEs receive the largest proportion of that spend. According to the Hub data, in 2019 to 2020, Scottish-based SMEs received £3.6 billion of Scottish public body procurement spend (where ONS region and business size is known). This equates to 58.0% of total spend in Scotland (again where ONS region and business size is known). Although this 58.0% is the same figure reported [for the previous year](#), the value of that spend has increased from £3.4 billion.



£3.6 billion

Scottish-based SMEs received £3.6 billion of procurement spend (compared with £3.4 billion in 2018 to 2019). This equates to 58.0% of total spend in Scotland.

SMEs also represent the largest share of suppliers to the Scottish public sector. It has already been mentioned that 79% of the suppliers awarded contracts through PCS were SMEs and that 63% were specifically Scottish-based SMEs. That the majority of suppliers winning contracts are SMEs is also reflected in evidence from the Hub, which shows that in 2019 to 2020, the £7.4 billion of Scottish public body procurement spend in Scotland was spent with some 25,611 suppliers. Information is available on the size of 17,440 of these suppliers, and 16,217 of them (93.0%) were SMEs.¹⁰



25,611

The £7.4 billion of procurement spend in Scotland was spent with 25,611 suppliers.

Sub-contracting arrangements present another way in which public bodies can involve SMEs in their procurement activity, and the annual procurement reports show that many public bodies are taking this opportunity. Forty-six public bodies provided information in their reports about the value of contracts sub-contracted to SMEs as a result of community benefit requirements; across these 46 public bodies, the total value of contracts sub-contracted to SMEs through community benefits was £26.6 million. More will be said about the impact of community benefit requirements later in this report.

¹⁰ Information on the number of Scottish public procurement suppliers is based on clustered groupings of a combination of supplier name, address or classification information, not the legal entity for each supplier. Therefore this figure is an estimate.



Public bodies are adopting a range of measures to facilitate the involvement of SMEs in their procurement processes and, in May 2019, the Scottish Government published a [policy note](#) on advertising subcontracting opportunities on Public Contracts Scotland (PCS).

Eighty-five per cent of public bodies provided information in their 2019 to 2020 procurement report about how they have done this. For example, [Historic Environment Scotland](#) have attended 'Meet the Buyer' events organised through the Supplier Development Programme:

“We have undertaken supplier engagement activities including attending Meet the Buyer events in Aviemore and Glasgow over the past year to encourage suppliers to get in touch with our business areas to see what opportunities may be available to them. These have focussed on small and medium sized businesses and the feedback has been quite positive with many of the suppliers we talked to [being] unaware of the wide range of activities that HES is involved in. With our delegated system of purchasing and regional offices acting as discrete operational units it has made sense to retain some of the historical groupings for some requirements, e.g. grounds maintenance, which is procured as regional clusters of monuments. This can encourage a range of SMEs to bid for business appropriate to their capacity, specialism, and location.”

Other examples of steps taken to involve SMEs in procurement processes included:

- embarking on consultation to promote the involvement of SMEs in procurement activity
- holding webinars which were made available to all SMEs
- maximising opportunities for lotting contracts
- implementing Dynamic Purchasing Systems.

3.3.3 Third sector organisations

Third sector organisations – charities, social enterprises and voluntary groups – play an important role in supporting local communities across Scotland and in contributing to economic growth. They also play a notable part in the delivery of Scottish public sector contracts.

It is for these reasons that the Scottish Government has increased its efforts to gather more data on procurement activity involving the third sector to understand and improve its engagement. This year, the Scottish Government has undertaken an analysis of procurement spend with registered charities.¹¹ It is worth noting that this analysis is not indicative of the full extent of Scottish public bodies' procurement spend with the third sector in Scotland, given that not every organisation in the third sector is a registered charity. As such, Scottish public body procurement spend with the wider third sector will likely be in excess of the figures reported here.

¹¹ On the Hub, in order for procurement spend to be classified as registered charity spend, the relevant supplier's website must contain information stating they are a registered charity (for example by including the relevant charity number), or the supplier must be identified as a registered charity when using information from the Office of the Scottish Charity Regulator and/or the Charity Commission.



The data shows that in 2019 to 2020, £808.3 million of Scottish public bodies' procurement spend in Scotland was with suppliers which were also registered charities. This amounts to 10.9% of all spend in Scotland (where ONS region and charity status is known). The largest proportion (£689.3 million, or 85.3%) of charity spend was with suppliers in the social care and services sector (where ONS region, charity status and business sector are known).



£808.3 million

£808.3 million of procurement spend in Scotland was with suppliers which were also registered charities (equivalent to 10.9% of all spend in Scotland).

Public bodies are increasingly using their annual procurement reports to provide information about how they have involved third sector organisations in their procurement activity. Sixty-one per cent of public bodies provided this information in their report for 2019 to 2020 – an increase on the 47% who gave this information in the previous year. Examples of how public bodies have facilitated third sector involvement in procurement included:

- hosting supplier events for third sector organisations
- looking for third sector organisations to take part in procurement exercises
- providing business support activities for third sector organisations
- holding workshops for the third sector through community benefits.



£689.3 million

The largest proportion of charity spend (£689.3 million, or 85.3%) was with suppliers in the social care and services sector.

3.3.4 Supported businesses

Facilitating the involvement of supported businesses in procurement activity is another core component of the Sustainable Procurement Duty and the annual procurement reports provide a good overview of the extent to which supported businesses have been involved in the delivery of public contracts.



35

Among 96 public bodies, 35 regulated contracts were awarded to supported businesses.

Ninety-six public bodies provided information in their annual procurement reports about the number of regulated contracts awarded to supported businesses during the 2019 to 2020 reporting year; among these 96 public bodies, 35 regulated contracts were awarded to supported businesses. Eighty-three public bodies provided information on total spend with supported businesses on regulated contracts during the year and, in total, this figure was around £3.1 million.



£3.1 million

Across 83 public bodies, total spend with supported businesses on regulated procurements was around £3.1 million.

As with SMEs, public bodies have taken a range of steps to involve supported businesses in their procurement processes during the reporting year, with 94% of public bodies providing evidence of this in their annual procurement reports. This is consistent with the figure reported for the [previous year](#) (95%). Steps taken included:

- engaging with supported businesses through events such as Meet the Buyer
- holding industry days to highlight opportunities for supported businesses to work with public bodies
- using the supported businesses framework – the data shows that spend against the supported business framework during the 2019 to 2020 reporting period was £2.2 million.

The following example illustrates how [Highlands & Islands Enterprise](#) has approached supported business involvement in procurement:

“

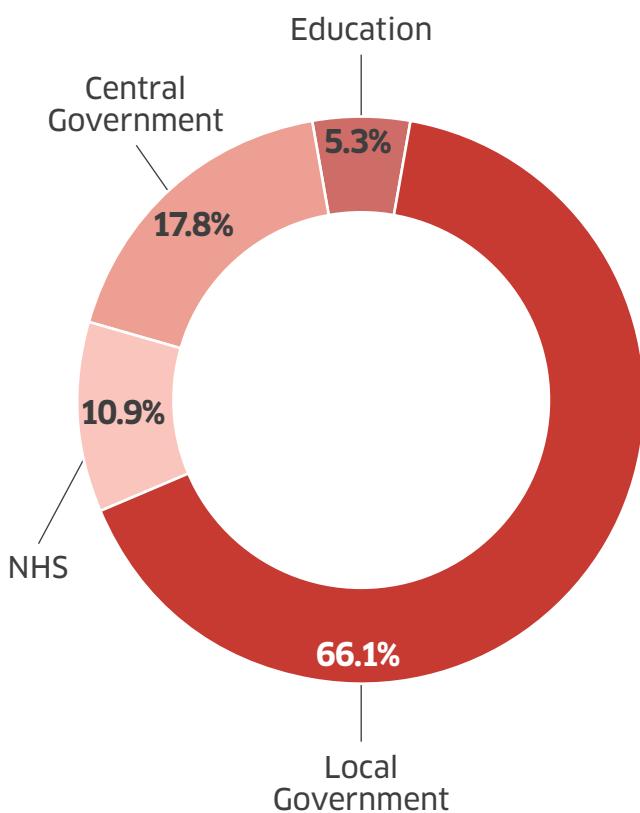
We have tried to identify and engage with any local companies with the potential to be classified as a supported business to try and identify opportunities to increase our spend in this area. We have been raising awareness of Supported Businesses internally and have published internal guidance documents on the intranet to try and help identify possible Supported Business within our area. We do encourage consideration of Supported Businesses before we tender to allow us to consider ring-fencing contracts for Supported Businesses. We have updated our tender documents with relevant information around Supported Businesses to encourage suppliers to sub-contract to them, where possible, and report this back to HIE on an annual basis.”



3.3.5 Spend by sector

Local government organisations continue to represent the largest share of Scottish public body procurement spend in Scotland. As shown in Figure 3, in 2019 to 2020, around two thirds (£4.9 billion, or 66.1%) of the £7.4 billion of spend in Scotland (where ONS region is known) was accounted for by the local government sector. This is consistent with the previous reporting year, when the local government sector accounted for 65.7% of procurement spend.

Figure 3:
Scottish public bodies' procurement spend in Scotland by sector (where ONS region is known)



The dominance of the local government sector within public procurement is also reflected in the annual procurement reports. It was mentioned previously that across 102 public bodies, a total of 5,043 regulated contracts were awarded in 2019 to 2020. Of these, the largest share (2,076, or 41%) were awarded by the local government sector.

3.3.6 Spend in Scotland by supplier business category

For each reporting period, using data from the Hub, the Scottish Government carries out an analysis of Scottish public body procurement spend in Scotland by supplier business category (where both ONS region and business sector are known).¹² Table 1 overleaf provides a full breakdown of the amount of procurement spend that each sector accounted for. As was the case in the previous reporting period, in 2019 to 2020, construction (£2.3 billion) and social care and services (£1.5 billion) accounted for the largest amounts of Scottish public body procurement spend.¹³

¹² The business categories 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 by 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.

¹³ For more information on the procurement of PPE from March 2020 onwards, please see a report published by [Audit Scotland](#) on the subject.

**Table 1:**

Scottish public bodies' procurement spend in Scotland by business sector (where ONS region and business sector are known)

Business category	Value of procurement spend	Proportion of procurement spend
Animals & Farming	£21,198,377	0.3%
Arts, Sport & Leisure	£87,246,418	1.2%
Business Support Services	£45,579,670	0.6%
Charitable & Religious Activity	£3,750,944	0.1%
Clothing	£3,472,905	0.0%
Construction	£2,280,629,569	30.8%
Education	£66,574,347	0.9%
Facilities Management	£847,922,782	11.4%
Financial Services	£113,288,618	1.5%
Food, Beverage & Catering	£98,552,157	1.3%
Healthcare	£119,895,675	1.6%
Human Resources	£201,380,140	2.7%
ICT	£180,070,964	2.4%
Laboratory	£21,688,082	0.3%
Legal	£78,621,834	1.1%
Manufacturing & Machinery	£13,042,394	0.2%
Marketing & Media	£96,528,717	1.3%
Other Goods & Services	£201,911,294	2.7%
Personal Care	£3,293,706	0.0%
Professional Services	£61,191,415	0.8%
Public Sector Bodies	£2,397,850	0.0%
Retail & Wholesale	£9,366,784	0.1%
Security Equipment & Services	£46,285,133	0.6%
Social Care & Services	£1,484,836,520	20.0%
Stationery & Office Products	£10,370,196	0.1%
Transport	£86,431,184	1.2%
Travel & Accommodation	£696,778,242	9.4%
Utilities & Energy	£200,296,359	2.7%
Vehicles	£119,036,726	1.6%
Waste & Environmental Services	£210,630,627	2.8%
Total	£7,412,269,630	100.0%



3.3.7 Payment of invoices

The Scottish Government recognises the vital importance of cash flow and ensuring the prompt payment of the suppliers and wider supply chains which are involved in delivering public contracts, particularly when these contracts are delivered by SMEs, third sector bodies or supported businesses.

Prompt payment is all the more relevant within the context of COVID-19, which caused huge economic disruption and uncertainty during this reporting period. This is why the policy guidance on supplier relief published in March 2020 ([SPPN 05/2020](#)) focused heavily on the criticality of prompt payment through the supply chain to ensure service continuity during the current coronavirus (COVID-19) outbreak.

The Scottish Government requests that public bodies include data on prompt payment in their annual reports, including the number of valid invoices received during the year and the proportion of invoices that were paid on time. Eighty-five public bodies provided information in their annual procurement reports about the percentage of invoices paid on time (i.e. within the time period set out in the terms of the contract). Across these 85 public bodies, the average percentage of invoices paid on time was 90%. This is consistent with the figure reported for the previous year (90.4%), as set out in the [last report](#).

While not complacent, it is encouraging that very few public bodies are reporting concerns being raised by sub-contractors about the payment of invoices within supply chains. Based on information provided by 76 public bodies in their annual procurement reports, only three public bodies (4%) reported sub-contractors raising any concerns of this kind.

In their annual procurement reports, public bodies often detailed how they ensured prompt payment to suppliers and throughout their supply chains, with many recognising the risks that late payment poses particularly to SMEs, third sector organisations and supported businesses. For example, [VisitScotland](#) reported monitoring the payment of invoices through contract and supplier management reviews:

“

VisitScotland observes the Scottish Government's policy for prompt payment to creditors and is committed to paying suppliers within 10 days of receipt of a valid invoice ... Conditions of contract are prepared to ensure that where a lead contractor is using the services of a sub-contractor, appropriate terms are in place to ensure that sub-contractor invoices are paid timeously. Payment of contractors and sub-contractors will form part of Contract and Supplier Management reviews in appropriate regulated contracts.”



3.3.8 Fair Work

Public bodies are required to promote Fair Work practices in all relevant procurement processes. The [Fair Work Framework](#) sets out the important dimensions of Fair Work which should underpin all public sector procurement activity – during the period 2019 to 2020, these dimensions were: effective voice; opportunity; security; fulfilment; and respect.

Public bodies continue to undertake activity to promote Fair Work and to document such activity in their annual procurement reports. Eighty-four (73%) public bodies provided a general statement about their policy or approach to Fair Work practices in their reports and examples of such activity included:

- promoting the Fair Work practices of suppliers in tender documentation
- including contract conditions relating to Fair Work practices
- ensuring there is no inappropriate use of zero hours contracts in the supply chain
- training and development opportunities provided to staff
- advocating for flexible working practices.

Public bodies also continue to include scored Fair Work criteria in their regulated contracts. Eighty-four public bodies (73%) provided information about the number of regulated contracts awarded during the 2019 to 2020 year which included a scored Fair Work criterion. Across these 84 public bodies, 1,008 regulated contracts including a scored Fair Work criterion were awarded. This represents 25% of all regulated contracts awarded by those 84 public bodies.



1,008

Across 84 public bodies, 1,008 regulated contracts including a scored Fair Work criterion were awarded.

It is worth noting that not every public body has reported on their use of the Fair Work criteria and that, even where they do, the criteria should be used to target sectors and contracts where the Scottish Government wishes to drive change in pay and conditions. This means that the number of contracts with appropriate terms and conditions, including payment of at least the real Living Wage, is likely to be significantly higher than reported.

Public bodies can also promote Fair Work practices by encouraging their supplier base to pay the real Living Wage, and public bodies are increasingly providing information about this in their annual procurement reports. According to data provided by 71 public bodies, the combined total of suppliers that committed to paying the real Living Wage in the delivery of a regulated contract awarded during the reporting year was 2,323.¹⁴ This is equal to 53% of all suppliers awarded a place on a regulated contract by these 71 public bodies. This is progress since 2018 to 2019, when the equivalent figure – across 68 public bodies – was 23%.



2,323

Across 71 public bodies, a combined total of 2,323 suppliers committed to paying the real Living Wage in the delivery of a regulated contract.

¹⁴ 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.



3.4 Good for places and communities

3.4.1 Spend in Scotland by supplier location

An analysis of the spend data shows that businesses and organisations the length and breadth of Scotland have contracted with the public sector. Figure 4 overleaf provides a breakdown of the proportion of Scottish public body procurement spend in Scotland (where ONS region is known) with suppliers in each local authority area. It shows that a high proportion of contracting activity has been with suppliers in the central belt in particular.

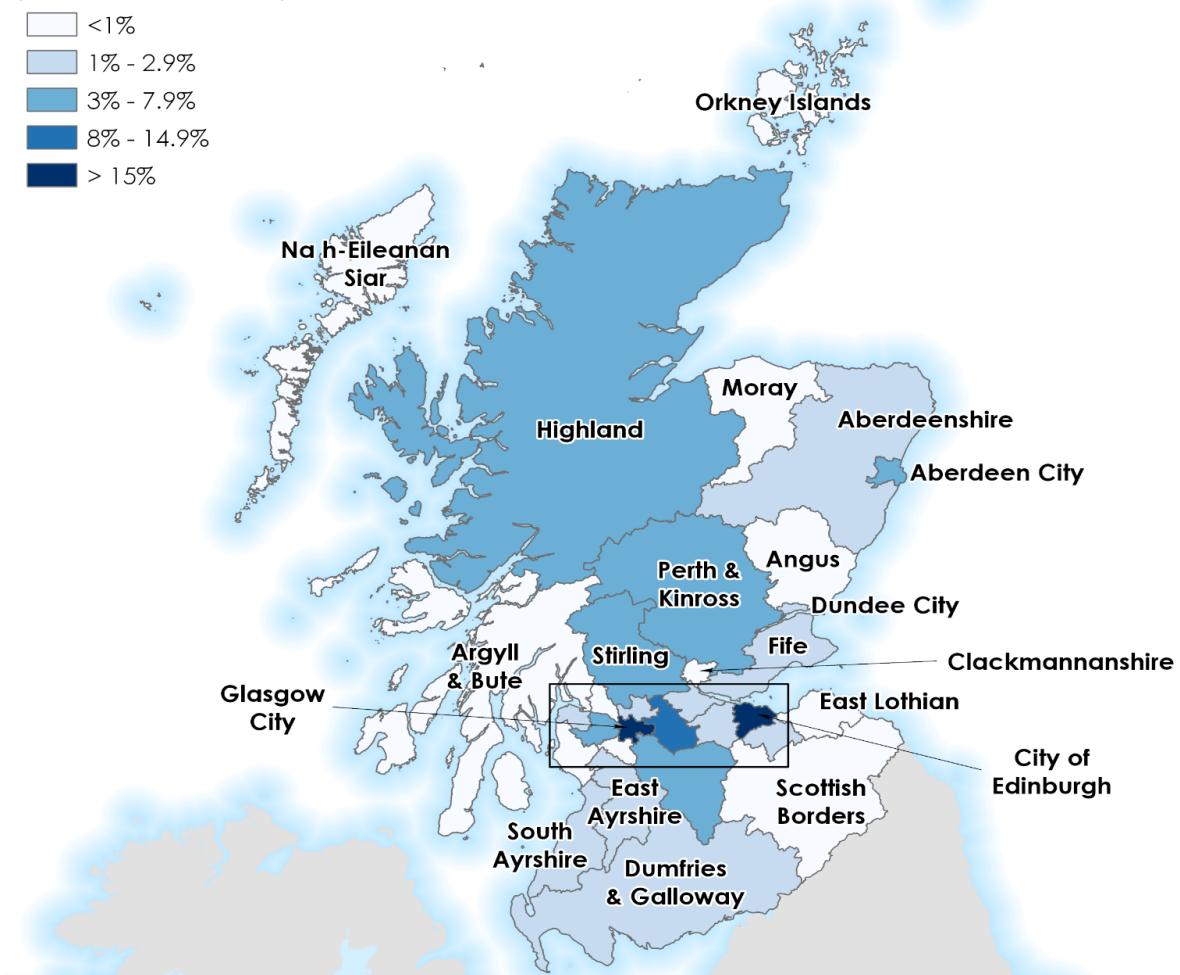
As was the case for the year 2018 to 2019, in 2019 to 2020, spend in Scotland was highest in Glasgow City, City of Edinburgh and North Lanarkshire. When combined, suppliers in these three local authorities received almost half of all procurement spend in Scotland (£3.6 billion, or 48.7% of spend).

**Figure 4:**

Scottish public bodies' procurement spend in Scotland by local authority of supplier, 2019 to 2020 (where ONS region is known)

Scottish public bodies' procurement spend in Scotland by local authority of supplier, 2019-2020

Percentage of total Scottish public body procurement spend





3.4.2 Spend in Scotland by SIMD quintile

The [Scottish Index of Multiple Deprivation \(SIMD\) classification](#) allows for an insight into Scottish public body procurement spend with suppliers based in areas of relative advantage or disadvantage. SIMD uses a variety of indicators relating to income, employment and health, for example, to measure 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 disadvantaged areas in Scotland, and those in the fifth quintile are classed as the 20% least disadvantaged.

As with the urban/rural analysis which follows later in this report, it is important to note that this analysis measures the postcode location of the suppliers receiving procurement spend, which is not necessarily the endpoint of that spend.

Since the [last report](#), the value of Scottish public body procurement spend in Scotland (where ONS region and SIMD classification are known) increased in all five quintiles. As indicated in Table 2 below, suppliers based in the lowest three quintiles (i.e. in the 60% most disadvantaged areas in Scotland) accounted for a combined £3.8 billion (or 52.8%) of procurement spend. This is an increase on the £3.6 billion value of spend in these areas in 2018 to 2019. The largest proportion of spend (£2.1 billion, or 29.0%) was with suppliers based in the fourth quintile.

Table 2:

Scottish public body procurement spend in Scotland by SIMD quintile, 2019 to 2020 (where ONS region and SIMD classification are known)

SIMD classification	Value of procurement spend	Proportion of procurement spend
1 (20% most disadvantaged areas)	£1,190,570,284	16.5%
2	£1,185,190,882	16.4%
3	£1,446,098,100	20.0%
4	£2,099,772,197	29.0%
5 (20% least disadvantaged areas)	£1,313,088,219	18.1%
Total	£7,234,719,681	100.0%



3.4.3 Spend in Scotland by urban/rural classification

For this reporting year, the Scottish Government has also undertaken an analysis of Scottish public body procurement spend in Scotland using the [urban/rural classification](#).¹⁵ Again, the analysis shows a good spread of spend across urban and rural areas, although there is a concentration in more urban areas, reflecting areas where registered businesses are concentrated.

Table 3 below provides a detailed breakdown of Scottish public body procurement spend with suppliers based in urban and rural areas (where ONS region and urban/rural classification are known).

As shown in Table 3, suppliers based in large urban areas accounted for over half (£3.8 billion, or 51.2%) of Scottish public body procurement spend in 2019 to 2020. Suppliers based in very remote small towns received the least amount of spend (£72.3 million, or 1.0%).

Table 3:

Scottish public body procurement spend in Scotland by urban/rural eight-fold classification, 2019 to 2020 (where ONS region and urban/rural classification are known).

Area type	Value of procurement spend	Proportion of procurement spend
Large urban area	£3,786,174,722	51.2%
Other urban area	£2,429,882,705	32.8%
Accessible small towns	£259,500,618	3.5%
Remote small towns	£74,310,486	1.0%
Very remote small towns	£72,305,720	1.0%
Accessible rural	£620,855,956	8.4%
Remote rural	£75,740,025	1.0%
Very remote rural	£81,855,374	1.1%
Total	£7,400,625,606	100.0%

¹⁵ The urban/rural classification provides a standard definition of urban and rural areas in Scotland. The classification is available in a variety of forms, such as the basic two-fold classification which defines postcode areas as simply 'urban' or 'rural'. The classification takes into account population size in different postcode areas and, where relevant, distance (drive time) from nearby settlements.



3.4.4 Community benefit requirements

By including community benefit requirements in procurement exercises where it is relevant and proportionate to do so, public bodies can use their contracting activity to deliver a wide variety of economic, social and environmental benefits in communities across Scotland.

In line with the 2014 Act, public bodies are required to consider including community benefit requirements for all regulated contracts where the estimated value of the contract is equal to or greater than £4 million, however this does not stop – and has not stopped – public bodies from including community benefit requirements in contracts under the £4 million threshold.

Data extracted from the Public Contracts Scotland (PCS) website shows that in 2019 to 2020, 895 contract opportunity notices containing community benefit requirements were published on PCS. This figure includes notices for contracts under the £4 million threshold. This is relatively consistent with the figure reported for the previous year in the [last report](#) (909).



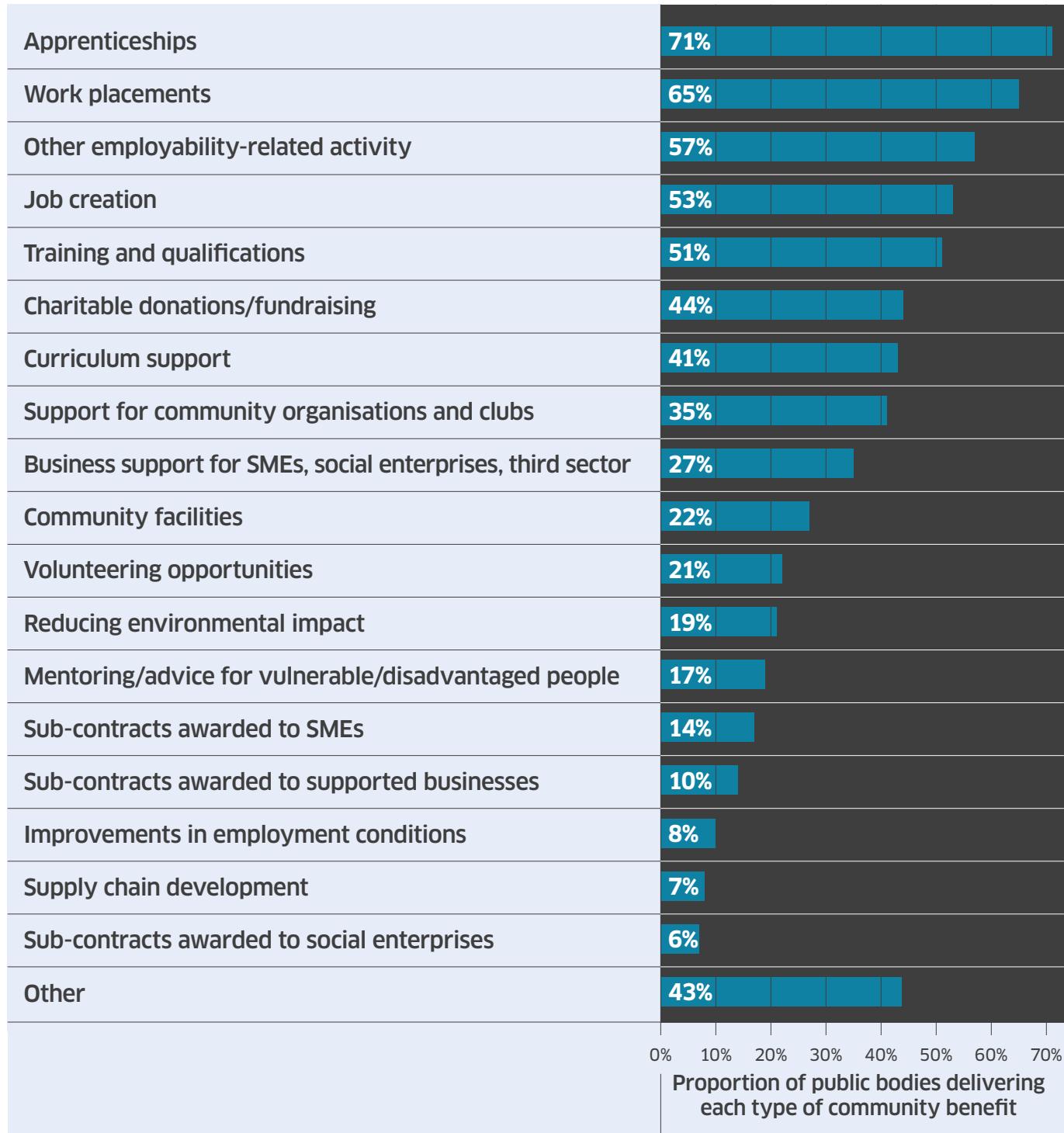
895

895 contract opportunity notices containing community benefit requirements were published on PCS.

In their annual procurement reports, 46 public bodies reported awarding at least one contract valued at or above the £4 million threshold during the reporting year. Among these public bodies, 188 regulated contracts at or above the threshold were awarded with community benefit requirements. This amounts to 79% of all 238 contracts of this value awarded by these bodies.

The 2014 Act does not prevent public bodies from including community benefit requirements in contracts valued under the £4 million threshold. Indeed, 90 public bodies provided information in their reports about the number of contracts awarded with a value of less than £4 million that nevertheless contained community benefit requirements. These 90 public bodies awarded a total of 810 regulated contracts valued at less than £4 million but with community benefit requirements.

The annual procurement reports also show that a wide variety of community benefits were delivered during the reporting year. As shown in Figure 5, employability-related activities – such as the creation of work placements, apprenticeships and jobs – were among the most common types of community benefits delivered. Seventy-one per cent of public bodies reported delivering apprenticeships through community benefit requirements.

**Figure 5:**Types of community benefits delivered during 2019 to 2020¹⁶

¹⁶ Based on data provided by 86 public bodies. Note that when combined, the figures add up to more than 100% because many public bodies reported delivering more than one type of community benefit during the reporting year.



3.5 Good for society

3.5.1 Equal treatment and non-discrimination

The General Duties require public bodies to treat their suppliers – and their potential suppliers – equally and without discrimination. The data from the annual procurement reports show that public bodies are continuing to demonstrate their commitment to equal treatment and non-discrimination.



81%

81% of public bodies submitting an annual procurement report provided evidence of the ways in which they had carried out their procurement activity with regard to equal treatment.

Ninety-three public bodies (81% of those who submitted an annual procurement report) provided evidence in their report of the ways in which they had carried out their procurement activity with regard to equal treatment, while 88 (77%) did so in relation to non-discrimination. This does not mean that 19% and 23% of public bodies are not acting with regard to the duties of equal treatment and non-discrimination – rather, it means that not all public bodies are reporting on these duties. These results are all the more positive when considering that public bodies are not required by the legislation to provide this information. The figures are also a substantial increase on those obtained during the 2018 to 2019 reporting cycle (50% and 44% respectively).



77%

77% of public bodies submitting an annual procurement report demonstrated the ways in which they had conducted their procurement activity with regard to non-discrimination.

The example below illustrates [Highlands and Islands Enterprise's](#) approach to ensuring good practice in relation to equal treatment and non-discrimination:



We have run our tender processes in an open, fair and transparent manner; treated all relevant economic operators equally and without discrimination; acted in a transparent and proportionate manner; advertised on Public Contracts Scotland to allow free unrestricted access to all tender documentation which ensures they are accessible by all suppliers and run tender processes electronically using clear language to ensure a common understanding of the requirements to ensure all bidders, regardless of size or location, have equal access to our contracts."



The Scottish Government routinely acts on opportunities to further equality, diversity and inclusion through its procurement activity. The following case study provides one such example of how this was achieved during the reporting year.

Case study: equality, diversity and inclusion in procurement

In 2019, the Scottish Government went out to tender for its new Facilities Management (FM) Services contract. Keen to provide improved sustainable outcomes through this contract, the Scottish Government used the sustainable procurement tools to identify economic, social and environmental opportunities and impacts during the life cycle of the service. Work was then undertaken with Scottish Government equality and diversity experts, the Construction Industry Training Board and environmental specialists to frame appropriate equality, fair work practices, fairly and ethically traded, and community benefits requirements.

Bidders were required to demonstrate how they will support the Scottish Government in achieving its equality outcomes around preventing discrimination, promoting equality, increasing diversity and fostering inclusive workplace culture. This included providing details of relevant policies, systems and processes; staff and sub-contractor/supply chain training in relation to equality and diversity; and demonstrating how equality of opportunity may be objectively monitored and reported throughout the contract duration. The new contract is expected to provide a range of sustainability outcomes over its duration, including in relation to equality and diversity.

3.5.2 Climate change

Through the Sustainable Procurement Duty, the Scottish Government recognises the vital role and contribution that public procurement can make in helping to tackle climate change. The Duty requires that before carrying out a regulated procurement, a public body must consider how it can improve the economic, social and environmental wellbeing of its area.

More and more public bodies are using their annual procurement reports to demonstrate the impact of their procurement activity on environmental wellbeing and climate change. This year, in their reports, 77 public bodies (67%) provided evidence that their regulated procurements have been carried out with regard to environmental wellbeing and climate change – this is an increase in both the number and proportion of public bodies who did so in the previous reporting cycle (69 public bodies, or 63%).



67%

67% of public bodies provided evidence in their annual procurement reports of carrying out their regulated procurements with regard to environmental wellbeing and climate change.



Public body procurement reports also show that a wide variety of activities have been undertaken by procurement staff across the public sector to address climate change and environmental wellbeing. These include:

- organisational restructuring to create a focus on climate and procurement
- energy efficiency measures
- using electric vehicles
- reducing the use of plastics, paper, packaging and transport
- recycling and reducing waste
- using renewable power
- monitoring and reporting on sustainability
- implementing vegetarian and vegan meals for meetings and events.

The following example shows how through organisational restructuring, [Scottish Fire and Rescue Service](#) have taken action to ensure that concerns about climate change are reflected in its procurement activity:

“

We have changed our organisational structure in response to the growing challenges posed by accelerating Climate Change by forming an executive cross-functional Environmental and Carbon Management Board (ECMB). This ensures that a balanced and measured approach to carbon reduction, pollution prevention and environmental impact reduction is embedded within service decisions including those associated with our procurement activity.”

During the reporting year, the Scottish Government established the Climate and Procurement Forum which met for the first time in November 2019. The main aim of the Forum is to provide leadership and direction to enable traction against the 2019 to 2020 Programme for Government commitment to mobilise procurement spend to support the climate emergency response and to identify and commission targeted activities and work streams which will help influence and empower buyer, supplier and key stakeholder communities in taking climate action. Co-chaired by the Scottish Government and APUC and with representation from across the public sector, the Forum recognises that in order to meet targets and aspirations of achieving net zero emissions by 2045, the public sector must focus not only on how we buy, but whether we buy, what we buy and how much we buy.

The Scottish Government Sustainable Procurement Policy Team have developed and maintain the [Sustainable Procurement Tools Platform](#), which is the Scottish Government's one-stop shop for sustainable procurement tools, guidance and eLearning. Refreshed content, launched in May 2020, helps public bodies ensure an appropriate focus on climate and circular economy obligations, supporting the use and protection of Scotland's natural resources.



3.6 Open and connected

3.6.1 Openness and transparency

The Scottish public sector continues to conduct its procurement activity in a transparent way and this transparency is increasingly being reflected in the annual procurement reports. Ninety-one public bodies (79%) provided evidence in their reports that they had carried out their procurements in a transparent manner – an increase on the 75% of public bodies which did so in the previous reporting cycle. This does not mean that 21% of public bodies are not carrying out their procurements in a transparent manner; given that it is not a legislative requirement for public bodies to demonstrate evidence of transparency in their annual procurement report, it is simply that not all public bodies are reporting on it.



79%

79% of public bodies demonstrated in their annual procurement reports that they had carried out their procurements transparently.

In their annual procurement reports, many public bodies emphasised that they had used PCS to advertise contract opportunities – as a reminder, 15,870 new opportunities were advertised on PCS during the reporting period – or that they had published a register of contracts. Other examples of how public bodies have ensured transparency in

their procurement activities, as described in their annual procurement reports, included: providing expenditure data and segmentation analysis online through the Hub; clearly stating contractual requirements in all tenders; and updating public bodies' corporate websites to improve ease of access to information about procurement.

The Scottish Government also continues to take action to make its procurement processes more open and transparent. For example, during the reporting period, information about Scottish Government [core spend](#) with its top 50 suppliers was published – moving forward, this will be done on an annual basis.

During the reporting period, Scottish Procurement's communications team within the Scottish Government began taking steps to increase engagement through its blog and social media channels. One of the key aims of this work was – and remains – to keep public bodies and suppliers fully aware of the available guidance and support around procurement. It was mentioned previously in this report that at the beginning of the COVID-19 crisis, the Scottish Government provided advice and guidance to public bodies to help support them through the pandemic, and the Scottish Procurement communications team played an active role in promoting the guidance issued during the reporting period to ensure that it reached as wide an audience as possible.¹⁷

¹⁷ For examples of the guidance issued during the reporting year by the Scottish Government in response to the COVID-19 pandemic, see [SPPN 04/2020](#) and [SPPN 05/2020](#).

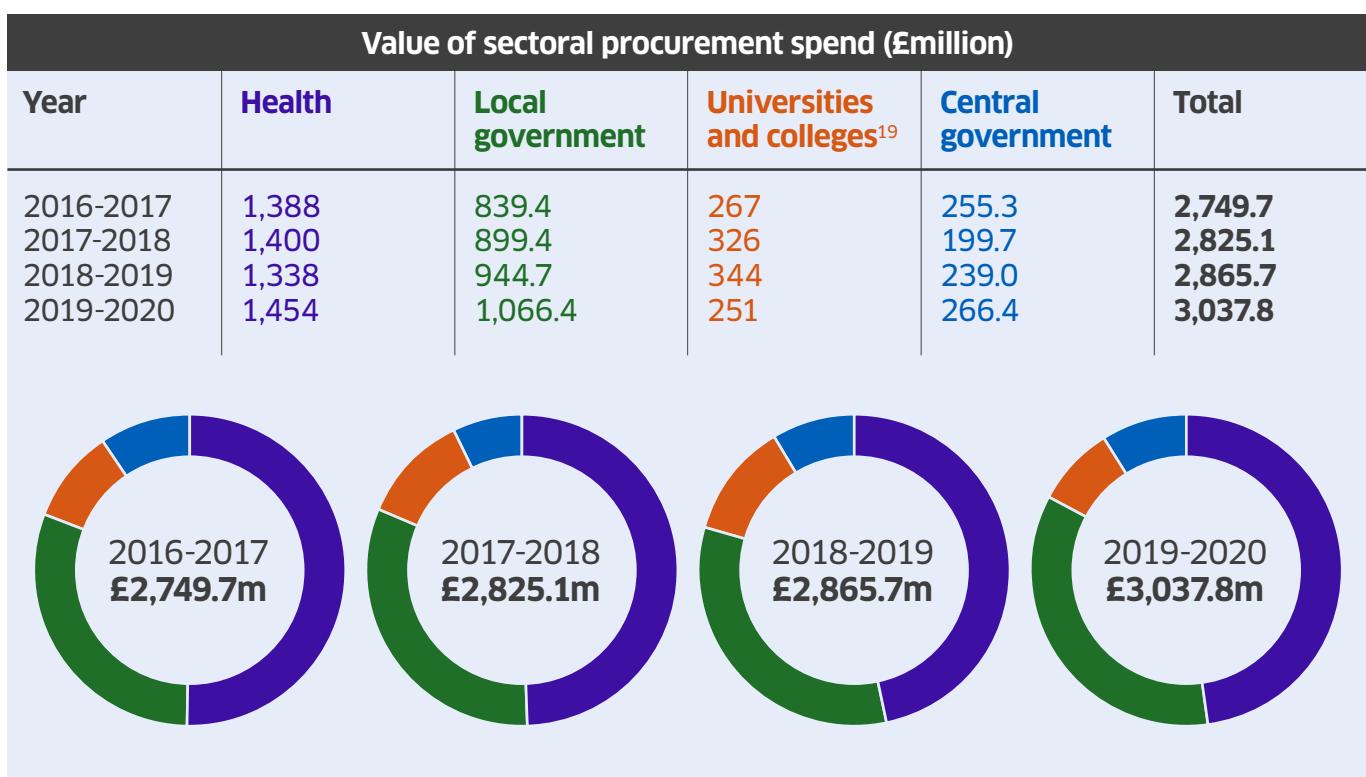


3.6.2 Collaborative spend and collaborative working

The four procurement Centres of Expertise play an important role in the delivery of public procurement by providing advice and support to the Scottish public sector and by also encouraging collaborative working across the wider base of both buyers and suppliers.¹⁸ For example, the Scottish Government awards collaborative agreements for the central government sector and also the wider public sector, and these agreements can be used by public bodies and third sector organisations to purchase a variety of goods and services.

Table 4 below provides information about aggregated collaborative spend across the public sector, using information provided by the four Centres of Expertise. It shows that collaborative spend has continued to increase over the last year, with over £3 billion of collaborative spend taking place across the public sector during 2019 to 2020 – an increase of around £172.1 million compared to the previous reporting year.

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



¹⁸ The four Centres of Expertise are: Scotland Excel (for the local government sector); the Scottish Government (for central government bodies); APUC Limited (for universities and colleges); and NHS National Procurement (for health bodies).

¹⁹ 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.



Public bodies are increasingly using their annual procurement reports to demonstrate their collaborative working. Ninety-eight public bodies (85%) provided evidence of activity related to maximising efficiency and collaboration in their reports – an increase on the 79% of public bodies who did so in the previous reporting cycle. Such collaboration took the form of:

- the use of collaborative contracts and framework agreements
- information sharing between organisations
- aligning procurement strategy, policy and procedures with other organisations
- participating in national and regional open forums and network events to identify opportunities for collaborative contracts
- sharing best practice and experience through events with other public bodies.

For example, as [Falkirk Council](#) reported:

“

Increased collaboration is important to drive efficiency in the procurement process ... The actual annual spend through collaborative contracts during 2019/20 was £78m which demonstrates yet again improved performance for Falkirk Council and is the highest spend out of each of the last four years ... The Council intends to ensure that collaborative procurement opportunities are seized, not only with Scotland Excel and the Scottish Procurement and Commercial Directorate, but with other Councils and Public Sector Bodies. To explore potential for increased collaborative procurement, the PCU will share future procurement plans in Appendix D with colleagues in other public sector organisations.”

Scottish Procurement's collaborative framework agreements for Water, Natural Gas and Electricity are used by around 98% of the Scottish public sector. In addition, the Scottish public sector has a long history of collaboratively developing globally recognised policy, national tools, systems and approaches, underpinned by cross-sector governance bodies and working group forums to drive continuous improvement. Importantly, this includes collaboration with industry to test and develop business-friendly approaches.

3.6.3 Using procurement to support infrastructure, investment and innovation

The Procurement Reform (Scotland) Act 2014 places a duty on public bodies to consider how, through their procurement activities, they can promote and support innovation in the way in which public sector services are provided in Scotland. Procurement underpins the Scottish Government's investment in people, infrastructure, assets and innovation. The well-designed procurement of goods, services and works has been used to drive business growth and innovation with many procurement projects directly enabling Scotland's wider ambition in this regard.

For example, during this reporting period, the Scottish Government made a grant-funded investment of up to £25 million in the Scottish 4G Mobile Infill (S4GI) programme which aims to push 4G coverage beyond commercial rollout. S4GI will deliver future-proofed, 4G mobile infrastructure and services to selected mobile 'not-spots' throughout Scotland. In addition, the national Non-Domestic Energy Efficiency (NDEE) framework delivered energy-efficiency retrofit works into public sector buildings. During the reporting period, investment in these

NDEE projects to improve public service infrastructure and assets amounted to almost £14 million across five separate providers and nine public bodies, with anticipated annual savings to public bodies totalling almost £800,000.

During the reporting period, the Scottish Government worked collaboratively with other public bodies in the health and local authority sectors, to establish the Innovation Partnership procurement process which is designed to allow the co-development of new public services with the private sector. Over the year the Scottish Government commissioned a project which sought to remove or reduce the bottleneck for gastrointestinal disease and bowel cancer risk assessment by negating the need for more invasive test procedures to be carried out in hospital.



Case study: Innovation Partnerships – Scotcap

Scotcap seeks to reduce the bottleneck affecting the diagnosis of gastrointestinal disease, including bowel cancer, by negating the need for more invasive test procedures which are carried out in hospital, and by creating diagnostic capacity. A new clinical pathway has been developed, using a ‘Pill Camera’, to carry out a diagnostic test for bowel disease within the community. The work was sponsored by the Health and Social Care Directorate, Modernising Patient Pathways Programme, and led by Professor Angus JM Watson, Consultant Colorectal Surgeon, NHS Highland.

Instigated through the Scottish Government’s Procurement Innovation Leadership Group, the process involved the NHS, Scottish Government and a wide variety of other partners – both public and private sector – working together to solve a societal problem, by managing the innovation cycle, inclusive of research, development and commercialisation through one regulated procurement process.

Professor Watson notes: ‘The Scotcap Innovation Partnership has allowed iterative research and development to be conducted within a procurement process for the first time. This has led to an agreement by clinical leaders about the diagnostic pathway across Scotland, but also notably, has allowed the delivery of the service in all Scottish Health Boards. It has demonstrated the value of procurement working with clinicians and other partners to create new innovative patient centred services. I am delighted to be part of this ground breaking work and team.’

The Director of Modern Patient Pathways commented: ‘This new collaborative way of working through a structured approach has enabled joint working amongst many partners to create a common “once for Scotland” approach.’

The Scottish Government CivTech® Programme continued to address public service challenges in an innovative way, rather than relying on established methods. That project involves public organisations setting civic challenges which smaller businesses are encouraged to tackle using innovative solutions and 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 and offers real opportunities to deliver even better services for people and even better value for service providers.

Case study: CivTech, and Forestry and Land Scotland

In 2019-20, as part of the CivTech 4 Innovation Flow, CivTech developed a Challenge with Forestry and Land Scotland (FLS) that asked: ‘How might we use technology to make better use of Scotland’s valuable but limited supply of high quality tree seed?’

Because this Challenge was so complex and complicated, CivTech varied its usual approach of taking one possible solution through to the Accelerator, and instead took five through, each representing a different possible approach to solving this important question – itself an example of innovation in procurement within the CivTech process.

Scotland was the first country in the world to declare a climate emergency, and planting more trees is vital if we are to tackle that emergency head on. This demand is well understood by the Scottish Government and is articulated in both the recently published Forestry Strategy for Scotland and the Climate Change action plan. However, the urgent need to do so much and so quickly in order to respond to this emergency means that existing processes and supplies of high-quality tree seed are under significant strain. With germination rates sometimes as low as one-in-three, and the extremely manual traditional systems, there was an urgent need to find new ways of approaching the problem.

One solution was Cumbria Tree Growers’ solution – TreeTape. Inspired by new developments in vegetable production, the solution uses the most efficient means of production currently available to markedly increase the typical yield of seedlings produced from a kilo of seed, and then make the transfer from early stage nurturing (often under cover) to the field as effective as possible.

The ‘automated’ method of transplanting, never been used before with trees, greatly reduces planting time and manual labour involved, and provides further efficiencies throughout the whole production system through to the final saleable product.

Results have been spectacular. Across the board germination rates more than doubled from the traditional one-in-three, with some species coming in at 80% - 90% of seeds germinating. And in Autumn 2020, the world record for planting seedlings outdoors was smashed: previously sitting at 60,000 seedlings in a day, TreeTape planted over one million. The system has produced significant cost savings for FLS, and has also resulted in Cumbria Tree Growers forming a new company to exploit the product – TreeTape Limited is based in Scotland.



There is evidence that, during the reporting period, public bodies continued to use innovative procurement techniques to deliver wider socio-economic benefits. Taken from its annual procurement report, the following example shows how [Transport Scotland](#) has used its procurement activity to support innovation in its infrastructure projects to deliver such benefits – in particular, through a contract for the management and maintenance of the Scottish Trunk Road Network (South West Unit):

“

The contractor has worked in collaboration with innovative start-up company Neatebox and industry leaders Coeval to increase accessibility for visually and mobility impaired pedestrians. Bluetooth technology installed in crossing boxes connects to Neatebox's smartphone app allowing users to call the crossing from a safe distance rather than precariously balancing wheelchairs or feeling around for control boxes at the kerbside. The contractor's road safety team also engaged directly with the Bargower riding school, a hub for mobility-impaired people in a remote part of Scotland, to address issues where approaching and crossing the A76 was said to make both horses and riders anxious. Using this innovative technology, the push button facility at the crossing was replaced by a Bluetooth signal from the rider's, or volunteer's, smartphone, meaning no distractions or having to drop the reins and wait at the edge of the busy trunk road. This significantly improved safety for the rider, horse and driver.”

Public bodies have expanded the use of Dynamic Purchasing Systems (DPSs) to facilitate emerging solutions and technology through the life of frameworks and contracts. Some have used DPSs as an opportunity to work together – for example, [Fife College](#) reported working in partnership with Fife Council to set up a joint DPS to contract for its pupil transportation services.

3.6.4 Scottish procurement on the global stage

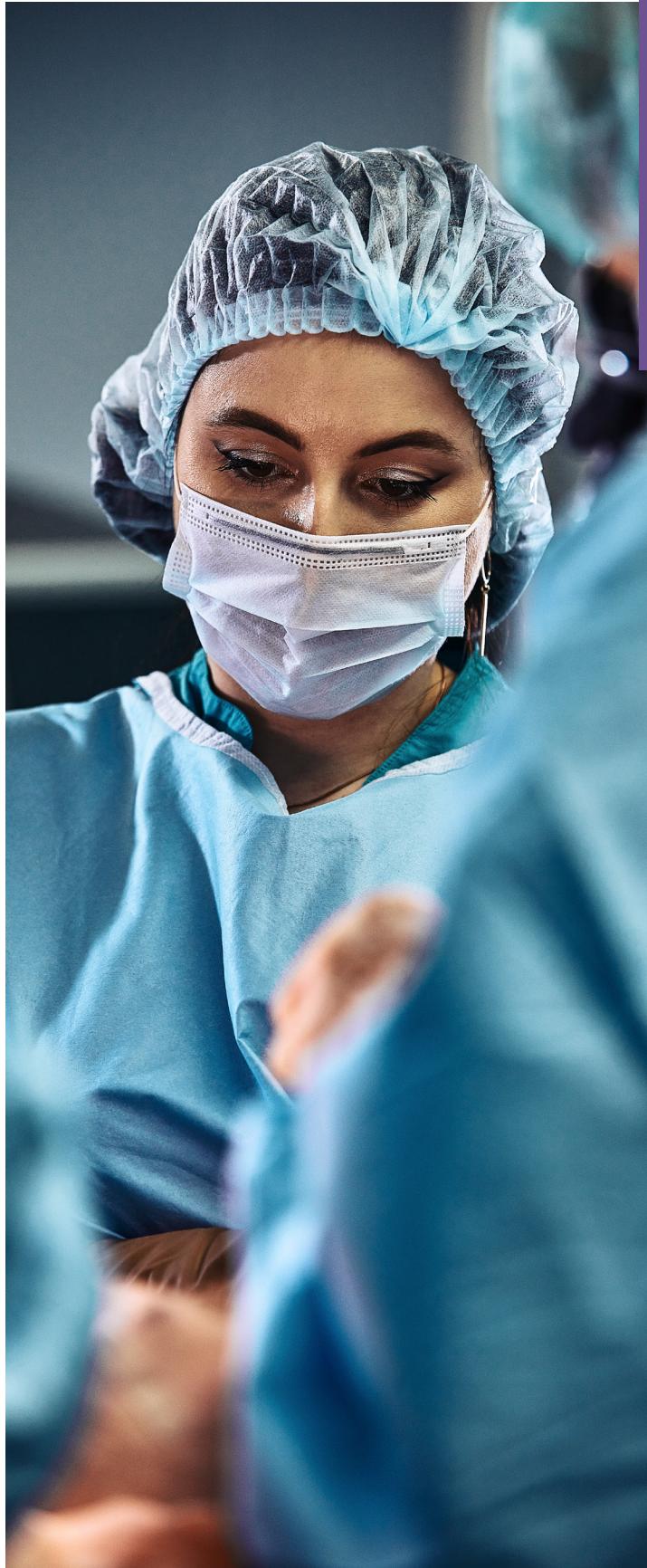
During the 2019 to 2020 reporting year, Scottish public procurement continued to be promoted – and recognised – around the world. The [Scottish Government](#) played an important role in shaping priorities and practices on an international scale. For example, the Scottish Government worked with the World Bank and the Organisation for Economic Co-Operation and Development in supporting the development of procurement practices in countries such as New Zealand and Romania. It also worked alongside other European Countries as part of the Urban Agenda, designed to foster co-operation between countries, cities and other stakeholders to promote growth, viability and innovation to address social challenges.

Other countries continue to take note of the work that takes place in Scotland. In 2020, the European Commission launched its European Competency Framework (ProcurCompEU), which was shaped greatly by the Scottish Government's Scottish National Procurement Competency Framework. Also, the Scottish Government's approach to the development of procurement professionals was recognised internationally as a finalist at the World Procurement Awards 2020 in the Talent & Development Award category. As a result the Scottish Government's approach to talent management is being published as a case study by the Procurement Leaders network, referencing its [Procurement People of Tomorrow](#) programme.

The wider public sector continues to play an important role in benchmarking internationally and contributing to projects on an international scale. For example, in recognition of its work on community benefits, inclusive growth and innovative supplier partnerships, the [University of Edinburgh](#) was shortlisted for an international 2020 Procura+ award. Meanwhile, the [University of the West of Scotland](#) was involved in the delivery of three of the Scottish Government's 55 rapid research projects, supporting international efforts to combat the effects of COVID-19.

4.

Future procurement activity



In line with the legislation, public bodies are required to provide summary information in their annual procurement reports about the regulated procurements they expect to commence in the next two reporting years. A key benefit of doing so is that it provides suppliers with advanced notice of upcoming opportunities and an opportunity to plan accordingly.

The evidence shows that public bodies expect the COVID-19 pandemic to have a lasting effect on their procurement activity. In their annual procurement reports, several public bodies noted that the pandemic has led to some current procurements being extended and it is expected that this may lead to a delay in some future procurements, or to a change in priorities from the time of publishing their annual procurement reports. For example, as [Glasgow Kelvin College](#) noted:

“

Glasgow Kelvin College is keen to encourage competition by promoting optimal participation in its procurement process and achieve better value for money in its procurements. One method of achieving this is to give notice to suppliers of tendering opportunities that are expected to commence over the next two financial years after the period covered by this report.

In preparing this forward projection of anticipated regulated procurements, it is difficult to be precise about providing details of actual requirements as use of the College campuses continues to be limited due to COVID-19 social-distancing regulations. Over a forecast period of two years, it is very probable that circumstances and priorities will change so the list of projected individual regulated procurement exercises outlined in Annex D should be viewed with this caveat in mind.”

Nevertheless, there is also cause for optimism. Despite the ongoing pandemic, public bodies anticipate that they will continue to undertake procurement exercises for a wide variety of goods, works and services. Across the 97 (84%) public bodies which provided the relevant information, a total of 5,796 regulated procurements are expected to commence over the next two years. Eighty-four (73%) public bodies provided information about the value of regulated procurements expected to commence and the total estimated value of these contracts is £15.8 billion.



5,796

Across 97 public bodies, 5,796 regulated procurements are expected to commence over the next two years.

In terms of the types of future procurements anticipated, some examples of these include:

- health sector public bodies – hospital refurbishments, vehicle maintenance services and cleanroom clothing sterilisation
- local government – peer support (mental health), early years training providers and sporting facilities
- central government – application management, support services and digital skills
- Registered Social Landlords – IT hardware, asbestos inspections and landscape maintenance
- universities and colleges – graduation services, student counselling services and audio-visual equipment maintenance.



£15.8 billion

Across 84 public bodies, the total estimated value of regulated procurements expected to commence over the next two years is £15.8 billion.

5. Conclusion



2019 to 2020 was the third year in which high-spending public bodies were required to submit an annual procurement report. The Scottish Government commends public bodies for continuing to report on their procurement activity. This undertaking is all the more significant when considering the huge disruption caused by the COVID-19 pandemic, which struck at a time when the annual reports were being prepared and published.

This report underlines the importance of public procurement in driving economic growth in Scotland, with businesses of all sizes, in all sectors and across all locations continuing to deliver the goods, works and services that the people of Scotland use every single day. Public bodies have maintained their commitment to involving SMEs, third sector organisations and supported businesses in this process as much as possible, while also being mindful of the wider impacts that procurement can deliver for our communities, helping to reduce inequalities and enable our climate and circular economy ambitions.

In the [last report](#), the Scottish Government suggested that the quality of annual procurement reports would continue to improve as the reporting process became even further embedded into routine practice. This has indeed been the case, with more public bodies taking steps not only to evidence what they have achieved during the reporting year, but also to provide an insight into exactly how they have gone about their business.

The Scottish Government also recognises the importance of expanding its own evidence base, to ensure it has a fuller picture of the impact of Scottish public sector procurement activity. For example, in this report, new analyses have been undertaken to measure the impact of procurement spend in the third sector and across both urban and rural communities. However, those efforts will not stop there and the Scottish Government continues to take forward a programme of research work designed to take stock on what is working well, could be done better or differently. We are committed to continuing to engage with and listen to our stakeholders, helping to inform opportunities for continuous improvement.

While this report has briefly considered the initial impact of the COVID-19 pandemic on public bodies' procurement activity and on the reporting process, the Scottish Government expects to paint a fuller picture of the impact of the pandemic in its next ministerial report, which will cover the financial year 2020 to 2021, including how we used public procurement to help support wider efforts to respond, reset, restart and recover from the pandemic.

In the meantime, to support Scotland's sustainable economic recovery from the pandemic, it is imperative that public bodies continue to conduct their procurement activity in a way that is good for businesses and their employees, good for society, good for places, and open and connected.



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