

# Annual Report on Procurement Activity in Scotland

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An overview of  
procurement  
activity 2020-21



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

January 2023

SG/2023/4

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# Ministerial Foreword



**In early 2020, our lives changed with the emergence of the COVID-19 pandemic. A truly unprecedented, global event that brought sweeping challenges, which we are still recovering from today.**

From the outset, the Scottish Government's priorities turned quickly towards coordinating the public sector response to the pandemic. Procurement was at the forefront of this, keeping Scotland's essential public services running, working with our suppliers to protect continuity of supply, developing new and diversified supply chains, driving collaboration and making best use of innovation.

During the extraordinary 12 months outlined in this report, Scottish public bodies used their combined spending power of £14.5 billion to deliver a wide range of essential goods, works and services while also responding to the COVID-19 pandemic – procuring essential PPE and medical supplies, building new infrastructure to support services moving online and swiftly developing new ways of working in the virtual world.

As we transition into a phase of recovery following the pandemic, we see this as an opportunity to implement bold and ambitious plans for the country's future. We want to

use our significant public spending power to make Scotland a better place to live, work and do business.

Procurement plays a crucial role in this. 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.

This report demonstrates the significant achievements and improvements made during 2020 to 2021. This included some major milestone moments in procurement activity led by Scotland's public bodies, from the rapid setup of the NHS Louisa Jordan, to emergency measures designed to keep Scotland moving and functioning safely during the pandemic – including working with transport operators and our suppliers to support the Scottish Government's response to the pandemic, enabling testing and vaccination programmes, ensuring food supplies reached vulnerable homes, and protecting critical services and functions until lockdown restrictions eased.

In August 2020, the Scottish Government published the Economic Recovery Implementation Plan, placing an emphasis on the importance of local economies in driving our sustainable economic recovery from the COVID-19 pandemic. This is a key pillar of the Scottish Government's wider Community Wealth Building policies to keep wealth within communities, and this report demonstrates the efforts being made across the public sector to engage Scottish-based manufacturers and businesses in our supply chains.

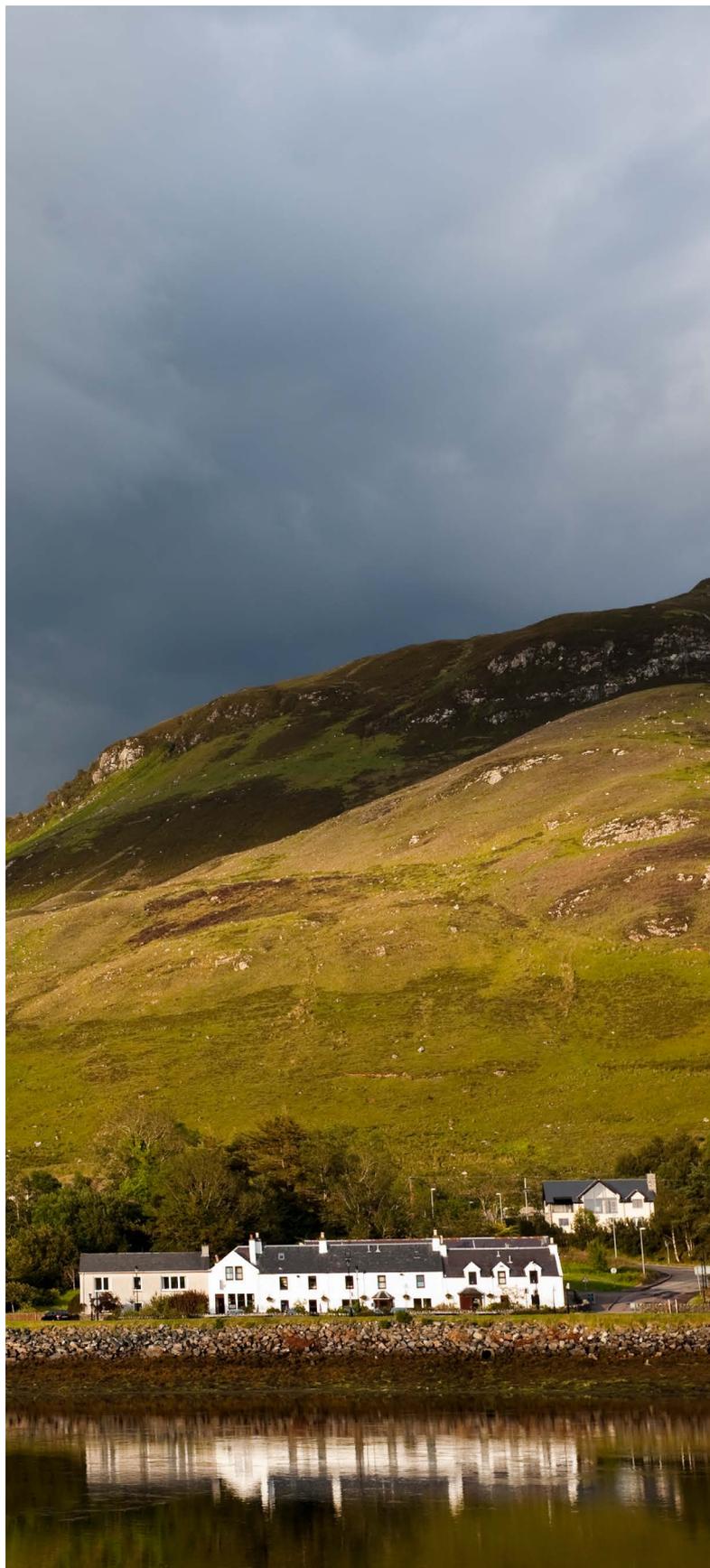
As many public bodies and suppliers moved their operations online throughout the year, the public sector remained committed to being open and connected. This report highlights examples of how public bodies continued to operate and engage on a local, national and international scale, not just in managing supply chains, but promoting the impact that innovative public procurement can make on wider sustainable outcomes.

More locally, public bodies continued to foster engagement with SMEs, supported businesses and third sector organisations within their supply chains. These efforts resulted in a significant amount of spend with Scottish-based SMEs.

As we learn to live with COVID-19, we face new challenges, including the impacts of the conflict in Ukraine and the cost crisis. Now more than ever, we must harness the significant public sector spend in Scotland to promote a green and just economic recovery. This will allow us to emerge stronger and to deliver the best possible outcomes for the people of Scotland.

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

# 1. Introduction



## 1.1 Background

This report provides an overview of Scottish public bodies' procurement activity during the year 2020 to 2021. In doing so, this report helps to ensure transparency and visibility around public procurement while also meeting important legislative requirements as outlined in Section 21 of the [Procurement Reform \(Scotland\) Act 2014](#) ('the 2014 Act').

When we use the term 'public procurement', we are referring to the design, award and management of contracts, suppliers and supply chains by Scottish public bodies, to deliver the goods, services and works which are vital to the everyday functioning of our public bodies and the services they provide to the people of Scotland.

The 2014 Act was designed to support inclusive economic growth in Scotland by providing a national legislative framework for sustainable public procurement. In line with the 2014 Act, public bodies are required to fulfil a number of general duties, while taking the steps necessary to promote transparency and consistency across the public sector.

At the same time, the 2014 Act also requires any public body expecting to have significant procurement expenditure in a given financial year (at least £5 million regulated procurement spend),<sup>1</sup> to develop a procurement strategy which sets out how it intends to carry out its regulated procurements. After the end of each financial year, public bodies must publish an annual report on their regulated procurement activities, demonstrating how they have complied with their procurement strategy. Although it is not necessary for public bodies with an estimated regulated procurement spend of less than £5 million to produce an annual procurement report, it is encouraging that some do produce such a report as a matter of good practice.

The contents of this report are structured around the four key outcomes which underpin public procurement in Scotland. In doing so, this report sets out the importance of Scottish public sector procurement in delivering economic growth in a manner that is:

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

<sup>1</sup> Note that a regulated procurement is any procurement carried out by a public body in relation to the award of a contract with an estimated value of £50,000 excluding VAT and above for goods and services and of £2 million and above excluding VAT for works.

**Figure 1.1:**  
The four outcomes for Scottish public sector procurement



The findings in this report also reflect the impacts of the COVID-19 pandemic which greatly affected public bodies as well as their suppliers and wider supply chains during 2020 to 2021. In doing so, it provides an overview of the Scottish Government’s response to the pandemic – as well as that of the wider public sector – in relation to public procurement, and demonstrates the profound impact of the pandemic on procurement activity during the year.

This report also sets out the Scottish Government’s response to key research either conducted or commissioned by the Scottish Government during the year, where it relates to Scottish public procurement. This is in recognition of the increasing role of research, analysis and evidence in shaping the development of policy and practice in relation to public procurement.

## 1.2 Methodology

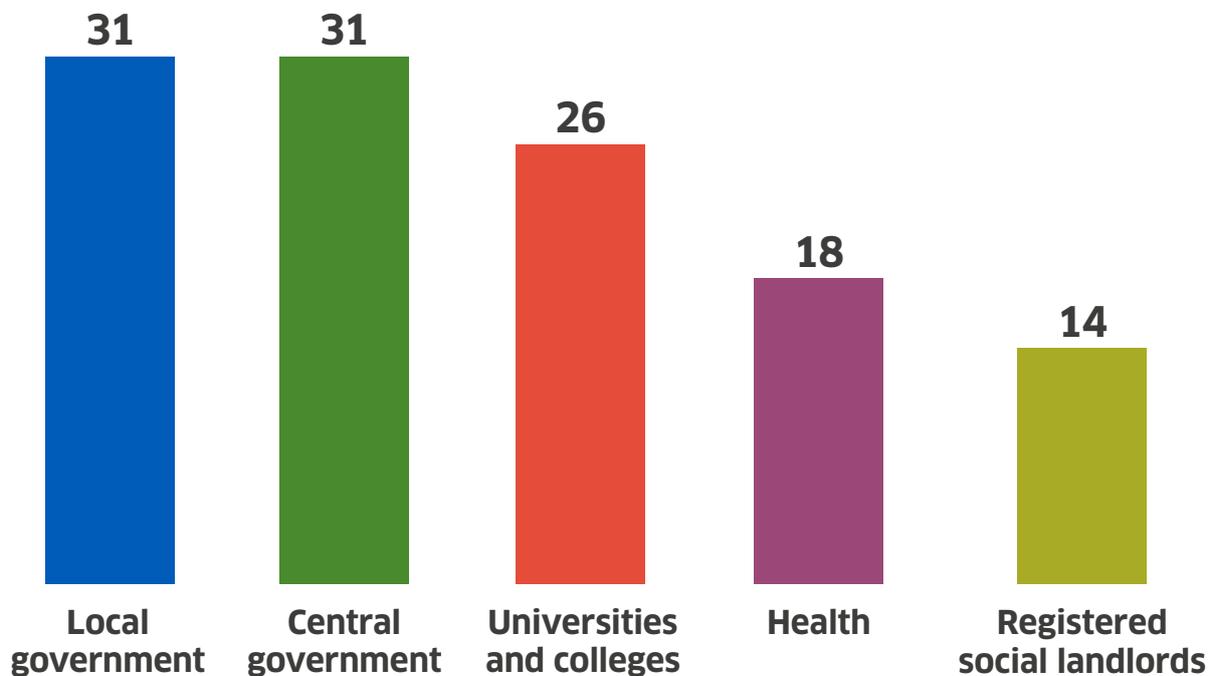
A range of sources were consulted in the preparation of this year's report, but two sources stand out as being of particular importance. First, the report is shaped largely by an analysis of the information contained in public bodies' annual procurement reports, submitted in fulfilment of the requirements of the 2014 Act. This year, 120 reports were

analysed – an increase on the 115 reports analysed in the [last report](#) which focused on 2019 to 2020. A list of the public bodies whose reports were included in the analysis this year is provided at Appendix 1.

Figure 1.2 below provides a breakdown of the 120 reports analysed by sector.

**Figure 1.2:**

Number of annual procurement reports analysed by sector (2020 to 2021)



Second, this report draws on an analysis of public procurement spend data which is available through the Scottish Procurement Information Hub ('the Hub'). Each year, the Scottish Government requests raw accounts payable data from bodies across the Scottish public sector. This data is enhanced by a third-party supplier using publicly available data in order to classify suppliers by size, location, area of business, charity status and other characteristics, before it is uploaded to the Hub where it is made available to participating public bodies for analysis.<sup>2</sup>

It is important to note that geographical spend data from the Hub is based on known postcodes which are obtained from a supplier's invoice address, with regions and local authority boundaries being determined by areas specified by the Office for National Statistics (ONS). As such, where this report draws on the Hub data to refer to procurement spend in different geographical

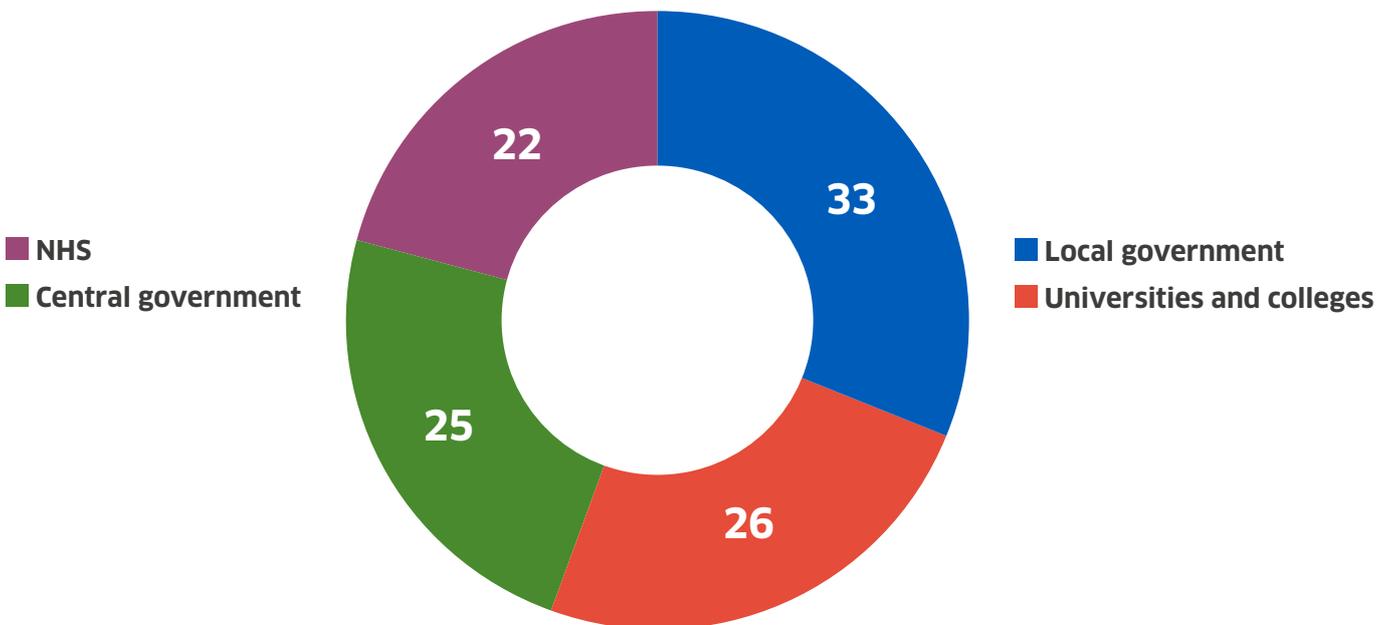
areas (for example, in Scotland), the data and calculations are based on spend where postcodes are known.

It is also important to note that where this report draws on the Hub figures for procurement spend during the year, these figures are not always based on the total amount of spend as set out in Section 3.1.2. This is because the supplier information that is used to undertake subsequent analyses of the total spend – for example, the breakdowns of spend by business size, sector, location, Scottish Index of Multiple Deprivation (SIMD) classification and so on – is not always known for all suppliers.

During 2020 to 2021, 106 Scottish public bodies provided procurement data for publication on the Hub. Figure 1.3 below provides a sectoral breakdown of the 106 public bodies represented in the Hub dataset this year.

**Figure 1.3:**

Number of public bodies submitting data to the Hub by sector (2020 to 2021)



<sup>2</sup> 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.

Where relevant, the information from both the annual procurement reports and the Hub is supplemented by evidence from other sources – for example, from the Centres of Expertise, the Social Enterprise Census and other research carried out by the Scottish Government during the year.<sup>3</sup>

As in previous years, it is important to avoid making direct comparisons between data from different sources, owing to the considerable differences in the scope and data collection methods that apply to each source. As such, the sources have not been used to draw any direct comparisons but, rather, they have been combined to provide a comprehensive overview of public sector procurement activity in Scotland.

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<sup>3</sup> Scotland's four Procurement Centres of Expertise (Central Government Procurement, Advanced Procurement for Universities and Colleges [APUC], NHS National Procurement and Scotland Excel) provide guidance and support to public bodies in relation to public procurement matters.

Carried out every two years, the Social Enterprise Census provides an overview of the social enterprise sector in Scotland, by capturing information on the characteristics, prospects and needs of the organisations which make up the sector. The Census is coordinated by CEIS in partnership with the Social Value Lab. For more information, see the [Social Enterprise Census](#) website.

## 2. Highlights



Overview of procurement activity

**5,421**

**5,421 regulated contracts were awarded across the 118 reporting bodies** providing the relevant information in their annual procurement reports (compared with **5,043 contracts last year**, across **102 public bodies**).



**£14.5bn**

Total Scottish **public sector procurement spend** (in Scotland and elsewhere) **reached £14.5 billion**. In Scotland alone, **total spend was £8.3 billion** (compared with £7.4 billion last year).



**15,656**

**15,656 suppliers were awarded public contracts** through PCS, of which **76% were SMEs** (compared with **18,421 suppliers last year**, of which **79% were SMEs**).



Good for the economy

**£12.5bn**

The **£14.5 billion of procurement spending** in 2020 to 2021 supported around **£12.5 billion of economic activity**, around **120,000 full-time equivalent jobs** and contributed around **£6.9 billion to Scottish GDP**.



Good for society

**81%**

81% of public bodies **provided evidence in their reports of the ways in which they had carried out their procurement activity** with regard to equal treatment and non-discrimination.



**71%**

71% of reporting bodies provided evidence of how they were **addressing environmental wellbeing and climate change** through procurement (compared with **67% last year**).



**Good for businesses and their employees**

**22,620**

The £8.3 billion of Scottish public body procurement spend in Scotland was spent with **22,620 suppliers**, with many more businesses benefiting within our supply chains (compared with £7.4 billion of spend with 25,611 suppliers last year).



**51 pence**

**51 pence in every pound** spent with suppliers in Scotland went to an SME (where business size is known) (compared with **58 pence in every pound** last year).



**1,700**

Across **95 public bodies**, around **1,700 regulated contracts** including a scored Fair Work criterion were awarded (compared with **1,008 regulated contracts** across **84 public bodies** last year).



**Good for places and communities**

**£3.9bn** 

Almost half (**48.7%**, or **£3.9 billion**) of public procurement spend in Scotland was spent with suppliers based in the **60% most deprived areas in Scotland** (where SIMD classification is known) (compared with **52.8%** or **£3.8 billion** last year).

**65%**



**65% of reporting bodies delivered apprenticeships** as a result of community benefit requirements, while **59% of bodies delivered work placements** (compared with 71% and 65% last year).

**£3.6bn** 

**£3.6 billion** (or 43.7%) of spend in Scotland was with suppliers based within the **local area** of the purchasing body.

**£944.4m**

Approximately **£944.4 million** of Scottish public body procurement spend in Scotland was with **third sector organisations**.



**Open and connected**

**89%**

**89% of public bodies provided evidence** in their reports that they had **carried out their procurements in a transparent manner** (compared with 79% last year).





### **3.** Summary of procurement activity in Scotland

## 3.1 Overview of procurement activity

### 3.1.1 Summary of regulated procurements

Of the 120 public bodies that submitted an annual procurement report for analysis, 118 provided data on the total number of regulated contracts awarded within the reporting period. In total, 5,421 regulated contracts were awarded across these 118 public bodies, with the largest proportion (1,968, or 36%) of these awarded by local government.



## 5,421

Across 118 public bodies, a total of 5,421 regulated contracts were awarded during the reporting period.

One hundred and eighteen public bodies also detailed the total value of the regulated contracts awarded within the reporting period. The total combined value of all regulated contracts awarded during the reporting period was £9.2 billion.

In their annual reports, public bodies provided examples of the types of goods, works and services procured through regulated contracts awarded during the year. Some of these examples also provide an insight into how public bodies have responded to the COVID-19 pandemic.

Examples included, but were not limited to:

- in local government – provision of care at home services, early learning and childcare, environment improvement works, roads maintenance and improvement
- across central government – telephony services, occupational health services, fleet management and HR recruitment services
- within the universities and colleges sector – employee assistance services, student accommodation and cleaning, library management systems, student online study support and virtual learning
- among health bodies – prescribing drugs, drug and alcohol recovery services, supply of cleaning workstations, services for contact tracing, personal protective equipment (PPE), logistics services for the NHS Louisa Jordan, and hand sanitiser
- across registered social landlords – window and door replacements, new build housing developments, gas servicing, and material supplies.

### 3.1.2 Summary of procurement spend

The Hub data shows that in 2020 to 2021, total Scottish public body procurement spend reached £14.5 billion.<sup>4</sup> This is an increase on the £13.3 billion of spend recorded for 2019 to 2020, reported [last year](#).

When we focus on Scottish public body procurement spend in Scotland alone, total spend amounted to £8.3 billion – again, an increase on the £7.4 billion of spend reported for the previous year.



#### £14.5 billion

Total Scottish public sector procurement spend (in Scotland and elsewhere) reached £14.5 billion – an increase on the £13.3 billion of spend reported for the previous year



#### £8.3 billion

In Scotland alone, total procurement spend was £8.3 billion – an increase on the £7.4 billion of spend in Scotland reported for the previous year.

When we analyse the remaining £6.2 billion of spend that took place outside of Scotland, almost all of this was with suppliers based elsewhere in the UK. Indeed, the Scottish public sector spent £5.9 billion with suppliers in England, Wales and Northern Ireland.<sup>5</sup>

### 3.1.3 Response to COVID-19

With the outbreak of the COVID-19 pandemic in March 2020, just before the beginning of the standard financial year,<sup>6</sup> the Scottish Government's priorities for the reporting year turned quickly towards coordinating the public sector's response to the pandemic. The Scottish Government provided advice and support to public bodies, as well as to suppliers and wider supply chains, to help them to respond to procurement and supply chain challenges arising as a result of the pandemic.

During the reporting period, the Scottish Government published a series of [Scottish Procurement Policy Notes \(SPPNs\)](#) and [Construction Policy Notes \(CPNs\)](#) to guide public bodies through the pandemic, underpinning service continuity wherever possible. For example, in [SPPN 6/2020](#), the Scottish Government reminded public bodies of the range of procurement procedures available to them and outlined some practical steps that could be taken to optimise resources during the pandemic – such as

<sup>4</sup> As a reminder, the figures from the Hub exclude spend with suppliers that were not classed as commercial organisations or as non-trade social care providers, and with whom individual public bodies spent less than £1,000 in aggregate during the year.

<sup>5</sup> Note that the remaining £300 million relates to spend where we do not know the location of the supplier. This figure likely comprises a mixture of Scottish-based, UK-based and overseas suppliers.

<sup>6</sup> Note that the majority of annual procurement reports data relates to the financial year April 2020 to March 2021. However, the financial year for universities and colleges runs from August 2020 to July 2021 and this is reflected in the data in their annual procurement reports.

using available framework agreements where possible, simplifying the scope of services cognisant of COVID-19 restrictions and ensuring the market had the capacity and capability to respond to new requirements.

As another example, in [SPPN 8/2020](#), the Scottish Government advised public bodies and suppliers to plan their transition as markets opened and contracts could be restarted. The Scottish Government also extended the provisions that were put in place earlier in the year regarding supplier relief<sup>7</sup> and encouraged public bodies to maintain accelerated payment practices to support cash flow through public supply chains.

The annual procurement reports provide further examples of how public bodies responded to the pandemic. [Forestry and Land Scotland](#) worked closely with their suppliers to get contracts up and running again after much of their activity was paused:



Where contracts required to be paused and/or ceased, we worked with our suppliers to support them through this period and ensure delivery could be restarted in a safe way protecting the health, safety and wellbeing of our employees and suppliers.... 448 contracts were paused during the first lockdown, and the end dates extended for an equivalent period to ensure no supplier detriment. We extended some contracts for a longer period where seasonality of work was a consideration.”

Other public bodies such as [NHS National Services Scotland - National Procurement](#) highlighted their role in delivering vital supplies of PPE and in helping to set up the NHS Louisa Jordan hospital:



Over the course of the reporting period, [we] sourced and shipped ... around 1.1 billion individual items of PPE [and] almost £200 million in value terms [across Scotland]... Our Equipping Sourcing Team played a key enabling role in the set-up of the NHS Louisa Jordan... Overall 253 different items had to be sourced to meet the full requirement, with 19,476 individual pieces of equipment totalling over £8M delivered to the site and placed by the Team.”

The following example shows how the [Scottish Government](#) moved swiftly to respond to the challenges of the COVID-19 pandemic, by putting in place contracts to facilitate the delivery of food parcels for those shielding from the virus:



At the height of lockdown we arranged food parcels for vulnerable people who were shielding across Scotland. Working collaboratively with other governments across UK, we arranged Scotland-specific contracts. We opened a dialogue with two suppliers, issued letters of intent to ensure that services could begin immediately, and negotiated robust contract terms with the suppliers. The scheme was in operation from early April to late July 2020, delivering essential boxes each week to around 50,000 households across Scotland, ensuring that the most vulnerable people had access to food and other basic necessities.”

Throughout this report, more detail is provided on how public bodies and their suppliers were affected by the COVID-19 pandemic.

<sup>7</sup> For more information, see [SPPN 5/2020](#).

## 3.2 Good for the economy

With procurement spending across the public sector running in excess of £14 billion a year, procurement is a powerful tool making a significant contribution to Scotland's economy.

Using the latest Scottish Government Input-Output model of the economy, it is estimated that £14.5 billion of procurement spend in 2020 to 2021 supported around £12.5 billion of economic activity, around 120,000 full-time equivalent jobs and contributed around £6.9 billion to Scottish GDP within the wider domestic economy when taking into account supply chain and re-spending of wage effects. This represents around 5% of the Scottish economy. It should be noted that these effects are estimated using a pre-COVID model of the Scottish economy.<sup>8</sup>

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<sup>8</sup> Please note that the latest available Input-Output model is derived from a pre-COVID snapshot of the Scottish economy. Comparisons of annual updates of Input-Output modelled economic impacts of future spending over time are not advised. Alongside the changes in the economy expected as a result of COVID-19, other changes in the structure of the economy over time, changes in the System of National Accounts and changes in Input-Output Table methodology, will also affect the estimates. Step changes in the results can and do arise when the underlying IO model is updated. For more information about the development and use of Scottish Government input-output tables please 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 may facilitate the involvement of Small and Medium Enterprises (SMEs), third sector organisations and supported businesses in their procurement activity. In recent years, the public sector has made great strides in ensuring that these organisations are able to access and compete for public contracts on an even footing with other suppliers.

The Public Contracts Scotland (PCS) website is intended to make it easier for businesses of all sizes, sectors and locations to access and win public contracts, particularly the Quick Quotes functionality which public bodies use to invite bids for lower value contracts which are especially important for smaller businesses. PCS data shows that suppliers continued to demonstrate an interest in working with the public sector, with some 4,810 new suppliers registering with PCS during the reporting year.<sup>9</sup>



### 4,810

4,810 new supplier registrations to PCS were received during the reporting year.

The [PCS usage report for 2020 to 2021](#) shows that during the year, a total of 11,025 new public sector contracts were advertised using the portal. Of these, 92% were for low value contracts,<sup>10</sup> and 78% were Quick Quote opportunities. Some 15,656 suppliers were awarded public contracts through PCS, of which 76% were SMEs, 73% were Scottish-based, and 59% were Scottish-based SMEs.<sup>11</sup>



### 11,025

11,025 new public sector business opportunities were advertised on PCS. 92% of these were for low value contracts, and 78% were Quick Quotes.

<sup>9</sup> Note that one registration does not always necessarily equate to one supplier. This is because more than one registration can be received from the same supplier.

<sup>10</sup> By 'low value contracts', we mean contracts below the higher value thresholds. For more information, see [SPPN 8/2019](#) and [SPPN 8/2021](#).

<sup>11</sup> The number of suppliers awarded contracts is higher than the number of contracts advertised for two reasons. First, the number of suppliers awarded contracts will relate to contracts that were advertised in 2020 to 2021, as well as a small number of contracts that were advertised in 2019 to 2020 but not awarded until 2020 to 2021. Second, the supplier numbers are not unique; as a reminder, one supplier may have multiple registrations on PCS. Figures correct as at June 2021.



### 3.3.2 SMEs

SMEs are an integral part of the business community in Scotland. According to the [Businesses in Scotland](#) data, as at March 2021, there were 342,125 SMEs operating in Scotland.<sup>12</sup> Although not every SME seeks to contract with the public sector, the evidence suggests that many SMEs do continue to engage with public bodies through contracting opportunities.

Data from the Hub shows that the Scottish public sector's continued efforts to engage with SMEs are reflected in significant levels of spend with these organisations – regardless of where those organisations are based. In 2020 to 2021, total Scottish public body procurement spend with SMEs, regardless of location, was £5.5 billion. This amounts to 43.2% of all spend where we also know business size.<sup>13</sup>

When we focus specifically on the spend taking place with suppliers based in Scotland, total public procurement spend in Scotland, as recorded via the Hub, amounted to £8.3 billion. This £8.3 billion of spend was spent with 22,620 suppliers. We know the size of an estimated 16,056 of these suppliers and, of these, 14,891 (92.7%) were SMEs.<sup>14</sup> This is consistent with the figure provided in the [report for 2019 to 2020](#), when SMEs made up 93.0% of suppliers in Scotland.

According to the Hub data, when Scottish public body procurement spend is analysed in more detail, Scottish-based SMEs accounted for 50.9% (or £3.5 billion) of the spend in Scotland where we also know business size.<sup>15</sup>



**£3.5 billion**

SMEs received £3.5 billion (or 50.9%) of procurement spend in Scotland.

As Figure 3.1 shows, the proportion of spend with Scottish-based SMEs this year (50.9%) is a decrease on the figures reported in the previous two years (58.0% in both years). When compared with [2019 to 2020](#), the value of spend with Scottish-based SMEs also decreased from £3.6 billion to £3.5 billion.

When compared with data on turnover amongst registered businesses in Scotland (as provided in the [Businesses in Scotland data for 2021](#)), we learn that, despite receiving 50.9% of procurement spend in Scotland, SMEs accounted for 39.1% of total Scottish turnover amongst registered private businesses.

<sup>12</sup> This figure includes businesses that are based/headquartered in Scotland, and also other businesses with a presence in Scotland.

<sup>13</sup> These figures are not based on the £14.5 billion total spend. Rather, they exclude £1.7 billion of spend where the size of the businesses receiving this spend is unknown.

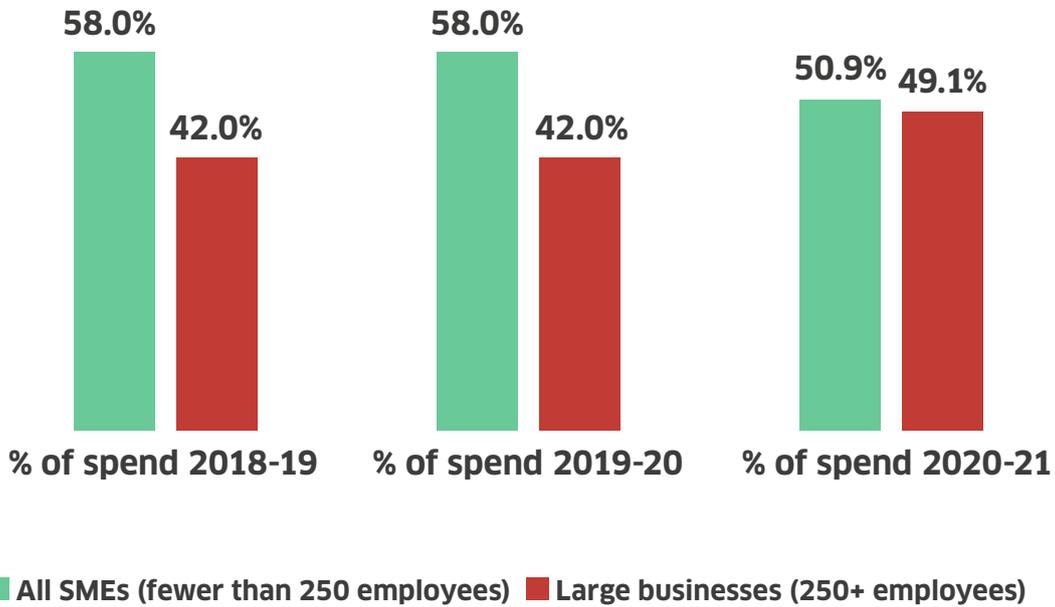
<sup>14</sup> Information on the number of Scottish public procurement suppliers is based on clustered groupings of a combination of supplier name, address or classification information, not the legal entity for each supplier. Therefore this figure is an estimate.

<sup>15</sup> These figures are not based on the £8.3 billion total spend in Scotland. Rather, they exclude the £1.3 billion of spend in Scotland where the size of the businesses receiving this spend is unknown.



**Figure 3.1:**

Scottish public bodies' procurement spend in Scotland by size of supplier business, 2018-2019 to 2020-2021 (where business size is known)



The wider evidence base suggests that the decrease in spend with SMEs over the last year was at least partly a result of the COVID-19 pandemic when procurement activity with SMEs decreased. For example, [Renfrewshire Council](#) noted that they had made limited progress in exploring opportunities for developing and growing SMEs in the local area during the reporting year because of the pandemic and the resulting lack of tendering activity particularly in the first half of the year. Meanwhile, [Falkirk Council](#) noted that its spend with SMEs had decreased as a result of the need to satisfy organisational requirements during the pandemic:

“Spend with SMEs has dropped slightly compared with 2019/20 and is attributed to the need to satisfy the Council’s procurement requirements during the COVID-19 pandemic... The COVID-19 pandemic has impacted local and SME businesses and as such Falkirk Council have been working with the Supplier Development Programme to promote public sector procurement processes and opportunities.”



The decline in the proportion of spend with SMEs can also be at least partly explained by the predominance of large businesses within particular growth sectors. As will be shown in Sections 3.3.5 and 3.3.6, Scottish public body procurement spend in Scotland with the travel and accommodation sector increased significantly during the year and accounted for the second highest amount of spend (£1.7 billion, or 20.6%); this was at least partly because of emergency spend designed to keep rail and bus services in operation during the pandemic. When analysed in more detail, and when we also know the size of the suppliers in receipt of this spend, large businesses accounted for 83.0% of spend within this sector. By contrast, spend with the construction sector decreased notably during the year, and the majority of suppliers in receipt of spend within that sector (57.7%) were SMEs. A full breakdown of the spend data by supplier business sector is provided later in this report.

Other evidence suggests that there was a lack of contract opportunities during the pandemic and that this disproportionately affected SMEs. The 2020 [suppliers' survey](#) asked suppliers what the main barriers were to their organisation in bidding for – or delivering – Scottish public sector contracts during the pandemic. Fifty-seven per cent of SMEs highlighted a lack of contract opportunities as being the main barrier, compared with 43% of large businesses.

Subcontracting opportunities are an important means of facilitating SME access to public contracts. In their annual procurement reports, 52 public bodies provided information about the value of contracts subcontracted to SMEs as a result of community benefit requirements. Across all 52 public bodies, the total combined value of contracts subcontracted to SMEs was £229.4 million; this figure is significantly higher than the £26.6 million reported in [2019 to 2020](#), based on data from 46 public bodies.

The annual procurement reports provide further examples of the ways in which public bodies have striven to involve SMEs in their procurement processes. For example, [Eildon Housing Association](#) reported using the Quick Quote facility to make lower-value contracts more accessible to SMEs:



We are committed to making public procurement open and accessible to businesses and especially [SMEs]. All tender opportunities greater than £25,000 are advertised on the [PCS] portal and on the Find a Tender Portal where required. We also publish our contract register on our website. The PCS portal has a 'Quick Quote' facility which is a proportionate process to request and receive quotes for lower value goods and services[,] and for goods and services which are competitively advertised using collaborative framework suppliers."

[West Lothian Council](#) reported that 67% of its regulated contracts awarded during the reporting period were awarded to SMEs. The Council emphasised the value of the [Supplier Development Programme](#) (SDP) in enabling them to engage with SMEs:



The council are members of the [SDP] and together with colleagues in Economic Development promote the tender training and events delivered by SDP. The council also attend national and local Meet the Buyer events and work with SDP to promote contract opportunities, particularly where tender responses are expected from SMEs and third sector organisations where suppliers may not be familiar with the tender process."



Indeed, over the year, the SDP continued to play a key role in providing training and support to Scottish-based businesses with an interest in tendering for public sector contracts. The SDP's [annual report](#) for 2020 to 2021 shows that, during the year, 1,737 Scottish SMEs registered with the SDP – bringing the overall total number of SME suppliers registered to 17,972.

### 3.3.3 Third sector organisations

Third sector organisations play an important part in the Scottish economy and in society more widely by contributing to economic growth, helping to improve people's wellbeing and supporting local communities. Social enterprises are a subset of the third sector. These are businesses with a social or environmental purpose, which re-invest their profits into fulfilling their organisational aims – aims which largely focus on empowering local communities and tackling socio-economic disadvantage. The involvement of social enterprises and the wider third sector in public procurement is key in helping us to achieve sustainable, inclusive economic growth.

As we will show, third sector organisations based in Scotland received a relatively small – but nevertheless significant – proportion of Scottish public body procurement spend during the year. This reflects their position within the Scottish economy, particularly when compared with the private sector. The [SCVO](#) estimates that in 2021, the voluntary sector in Scotland had a turnover of £8.5 billion; meanwhile, the [Businesses in Scotland](#) data for 2021 indicates that registered private businesses had a total turnover of £293.2 billion.

Since the [previous report](#), the Scottish Government has continued to gather more evidence around the extent and impact of third sector involvement in public procurement. This year, the Scottish Government undertook new analysis designed to establish the amount of spend with social enterprises each year. As part of the biennial Social Enterprise Census, background information (including company name and postcode) is gathered on all social enterprises in Scotland. To establish a procurement spend figure for social enterprises, the list of organisations which were identifiable as social enterprises (for the 2021 Census) was linked to the supplier information obtained through the Hub.



Nevertheless, the social enterprise figures provided in this section must be viewed as conservative estimates as there is a chance that not all social enterprises in Scotland have been identified through the Census and, therefore, the extent of Scottish public body procurement spend with Scottish social enterprises may not be fully represented.

The results of the data linkage exercise indicate that, in 2020 to 2021, Scottish public bodies' procurement spend in Scotland with suppliers which were also social enterprises (and which could be matched to the Census), was approximately £475.9 million. This equates to 5.8% of the total £8.3 billion spend in Scotland.



### £475.9 million

An estimated £475.9 million (5.8%) of procurement spend in Scotland was with suppliers which were also social enterprises.

Analysis of the procurement spend data by charity status has now been embedded into the yearly analysis of the Hub data. In 2020 to 2021, £860.7 million of Scottish public body procurement spend in Scotland (where charity status is known) was with suppliers which were also registered charities – an increase on the £808.3 million of spend reported in the previous year. Proportionately, the share of spend with suppliers which were also registered charities accounted for 10.4% of spend this year.



### £860.7 million

£860.7 million of procurement spend in Scotland was with suppliers which were also registered charities – up from £808.3 million in 2019 to 2020.

There is significant overlap in the spend figures for registered charities and for social enterprises, because many social enterprises are also registered charities. Of the £475.9 million of procurement spend with suppliers which were social enterprises, £392.3 million (82.4%) of this was with suppliers which were also registered charities.

When we combine the figures for spend with registered charities and with social enterprises – and when we control for the above overlap – we can establish an approximate figure for procurement spend with the third sector as a whole. We estimate that in 2020 to 2021, Scottish public body procurement spend in Scotland with third sector organisations was approximately £944.4 million.<sup>16</sup>



### £944.4 million

In 2020 to 2021, total spend in Scotland with third sector organisations was approximately £944.4 million.

The extent to which public bodies are using their annual procurement reports to document their engagement with third sector organisations has decreased.

<sup>16</sup> This figure must be treated as an estimate of total spend with the third sector not only because of the caveats described previously, but also because the third sector itself is not limited only to registered charities and social enterprises. For example, the wider sector also includes voluntary groups and, currently, the Hub does not verify whether a supplier is a voluntary group. The real level of spend with the third sector is therefore likely to be greater than the figure quoted here.



Of the 120 public bodies submitting an annual procurement report for the year, 67 (56%) demonstrated the steps they took to facilitate the involvement of third sector organisations in their procurement activity – proportionately, this is a decrease from 2019 to 2020, when 70 public bodies (61%) provided this information.

For example, the [Scottish Prison Service](#) reported undertaking a range of activities to engage third sector organisations in its procurement activity, some of which are highlighted below. The report also highlights the impact of COVID-19 on activity and spend with the sector:



A number of Third Sector organisations provide services through a number of contracts awarded by the SPS e.g. Committed to Ending Abuse (CEA), Barnardos, Wellbeing Scotland, Shelter, Dick Stewart Hostel, and the Salvation Army. The SPS's direct expenditure with Third Sector organisations was £776k (2020-21). A number of services were affected by COVID-19 restrictions leading to lower activity volumes and expenditure than in the prior year (£785.6k in 2019-20).

SPS provided 'supplier relief' to a number of contracted Third Sector organisations to enable them to retain the capacity and capability to provide services until COVID-19 restrictions eased. As the year progressed, SPS introduced technology which allowed traditionally face to face services such as those provided by Committed to Ending Abuse (CEA) and Barnardo's to be undertaken virtually by phone or video. CEA were also able to restart face to face activity and now operate a blended model reflecting continued use of the virtual systems."

Meanwhile, [Highland Council](#) sought to engage third sector organisations in its procurement activity by strengthening its ties with local third sector organisations and support providers:



In the reporting period, [Commercial & Procurement Shared Services] has strengthened closer partnerships with local third sector interface organisations, [Scottish Government-funded national programmes for procurement support], local social enterprises and Equalities Teams to raise awareness of and build capacity within the 3rd sector in terms of the supported business regime."

The results from the [Social Enterprise Census 2021](#) show that half of responding social enterprises (50%) do business with the public sector – a decrease on the 53% who responded as such in 2019. Moreover, only 18% of responding social enterprises indicated that they had bid for a contract in the last 12 months prior to the census.

It is clear that the Scottish public sector still has work to do to help social enterprises and the wider third sector to engage in public procurement, so this continues to be an area of focus.



### 3.3.4 Supported businesses

Supported businesses are defined as organisations whose main aim is to integrate disabled or disadvantaged people, both socially and professionally, and whose workforce comprises at least 30% disabled or disadvantaged people.

In their annual procurement reports, 104 public bodies provided information about the number of regulated contracts awarded to supported businesses during the reporting year. The combined total number of contracts reported was 23.

Separately, across 85 public bodies providing the relevant information in their annual procurement reports, the total combined spend with supported businesses through regulated contracts was £13.3 million. This equates to an average of £156.5 thousand per public body – a notable increase on the £37.1 thousand that public bodies spent, on average, with supported businesses in the previous year.



#### £13.3 million

Across 85 public bodies, the total combined spend with supported businesses through regulated contracts was £13.3 million.

The annual procurement reports also provide examples of how public bodies have sought to involve supported businesses in their procurement activity. For example, the [University of Edinburgh](#) reported making use of the Scottish Government's [supported businesses framework](#). Meanwhile, [NHS Highland](#) emphasised their commitment to working with supported businesses, but highlighted the impact of the COVID-19 pandemic in curtailing their ability to engage.



NHS Highland is committed to supporting this key Scottish Government initiative, and fully support the importance of growing social enterprises within our local communities. NHS Highland continue to work to identify ways to increase our spend in this sector.

Unfortunately, during 2020/2021 our spend with supported businesses decreased slightly to £144,920, a 5% decrease on [the] previous year. The decrease in spend was due to ongoing COVID-19 pressures and also in part due to the closing of one of our longer term Supported Businesses – Haven Inverness who closed in the latter part of 2020.

Fortunately, another local Social Enterprise provider – New Start Highland stepped forward to provide the service from January 2021 and were also able to bring some of the team across from Haven. Supported businesses spend for the period of this report was provided by Haven Inverness, New Start Highland, ILM Highland and Highland Blindcraft.”

Again, there was some evidence in the annual procurement reports that the COVID-19 pandemic had negatively impacted on public bodies' ability to contract with supported businesses. [Scottish Qualifications Authority](#), for example, continued to support two contracts that were awarded to supported businesses, but noted that the spend through these contracts was reduced considerably as a result of the pandemic.



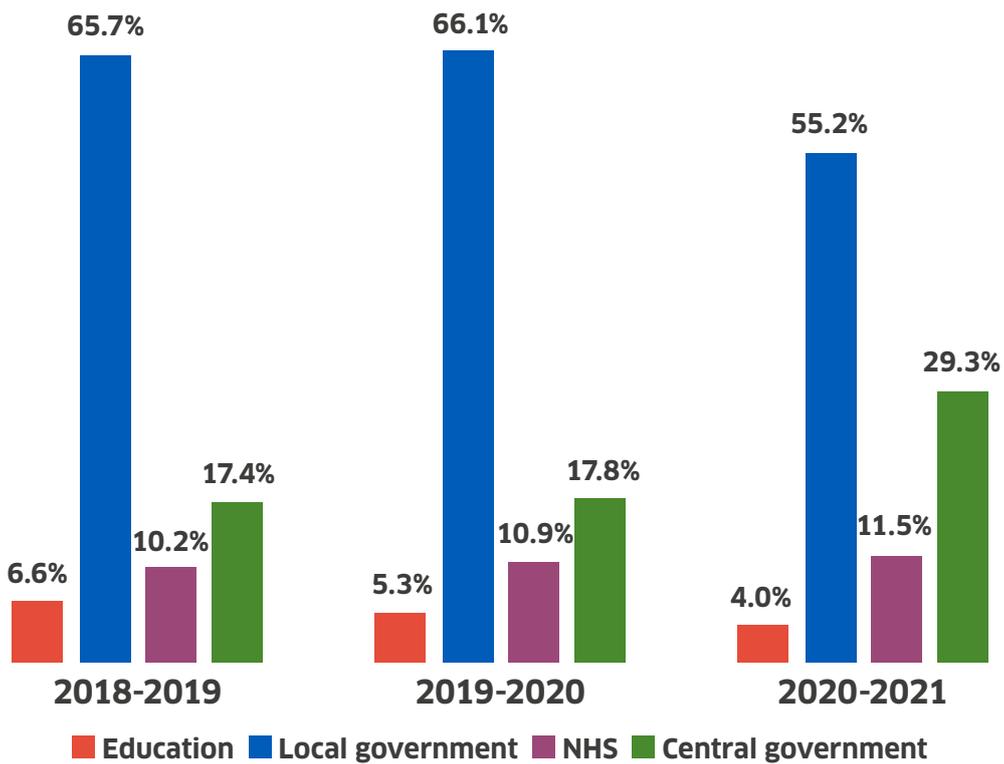
### 3.3.5 Spend in Scotland by sector

Local government bodies continued to dominate the procurement spend figures. According to the Hub data, of the £8.3 billion of Scottish public body procurement spend in Scotland in 2020 to 2021, over half (£4.6 billion, or 55.2%) of spend was accounted for by local government. Central government bodies accounted for £2.4 billion (or 29.3%) of spend, while the corresponding figures for the NHS and the education sector were £953.8 million (11.5%) and £331.0 million (4.0%) respectively.

However, when compared with the findings for previous years, there were some notable changes in patterns of spend in Scotland. As shown in Figure 3.2, since 2018 to 2019, the proportion of spend in Scotland accounted for by central government bodies increased from 17.4% to 29.3%, while the proportion of spend accounted for by local government decreased from 65.7% to 55.2%.

**Figure 3.2:**

Scottish public bodies' procurement spend in Scotland by sector, 2018-2019 to 2020-2021





The sharp growth in the proportion of spend within central government is at least partly a reflection of the sector's efforts in coordinating the response to COVID-19. For example, the 2020 to 2021 annual procurement report for [Transport Scotland](#) indicates that its spend was particularly high due to COVID-19, during which the organisation spent significant sums on short-term emergency measures to support the Scottish Government's response to the pandemic by keeping trains and buses in operation:



COVID-19 caused significant pressures on society and the transport network during the reporting period and we worked with transport operators and our suppliers to support the Scottish Government's response to the pandemic. Public transport played a vital role in keeping Scotland moving safely during the pandemic by helping people attend vaccination appointments and enabling essential travel once lockdown restrictions were eased. Over £685.5 million of our procurement spend was provided throughout the reporting period to enable rail franchises and bus services to operate during COVID-19. This comprises of £421 [million] in emergency measures arrangements to our rail franchisees and around £264.5 million that was provided to bus operators."

That the proportion of NHS spend in particular remained stable this year (at 11.5% compared with 10.9% in the previous year) is somewhat surprising given the outbreak of the COVID-19 pandemic. However, the evidence suggests that increased spend arising due to COVID-19 was likely counteracted by decreased spend in other areas as a result of suspension of

many routine activities. For example, the [NHS National Services Scotland](#) annual procurement report for 2020 to 2021 states that 82% of contracts awarded in that year were in response to the pandemic, while the remaining 18% of contracts would be considered business as usual contracting activity. Likewise, [NHS Education for Scotland](#) (NES) also paused much of its routine work in order to respond to the pandemic:



During 2020/21 in response to the COVID-19 pandemic, much of the mainstream NES activity and infrastructure was paused as we embarked upon new areas of business with the aim of ensuring that frontline health and care services across all of Scotland were as well supported as possible. The last year has therefore been dominated by the NES response to COVID-19 which has focused on supporting frontline services through educational materials, mental health resources, support for learners and trainees, redeployment of students, trainees and our staff and development of a wide range of digital support."



### 3.3.6 Spend in Scotland by supplier business sector

Continuing the trend from recent years, the construction sector accounted for the largest amount of Scottish public body procurement spend, representing £1.9 billion or 23.0% of all spend in Scotland (where supplier business sector is known). This was followed by the travel and accommodation (£1.7 billion, or 20.6%) and social care and services (£1.6 billion, or 19.9%) sectors.

A full breakdown of spend in Scotland by supplier business sector during the reporting year is provided in Table 3.1. For comparison, the same information is also provided for 2018 to 2019 and for 2019 to 2020.



#### **£1.9 billion**

The construction sector comprised the largest amount of Scottish public body procurement spend in Scotland (£1.9 billion, or 23.0%).

**Table 3.1:**

Public body procurement spend in Scotland by supplier business sector, 2018-2019 to 2020-2021 (where business sector is known)

Supplier business sector	Value of spend 2018-2019	% of spend 2018-2019	Value of spend 2019-2020	% of spend 2019-2020	Value of spend 2020-2021	% of spend 2020-2021
Animals & Farming	£19,837,957	0.3%	£21,198,377	0.3%	£22,242,745	0.3%
Arts, Sport & Leisure	£84,071,836	1.2%	£87,246,418	1.2%	£67,000,226	0.8%
Business Support Services	£51,006,621	0.7%	£45,579,670	0.6%	£44,424,248	0.5%
Charitable & Religious Activity	£1,438,497	0.0%	£3,750,944	0.1%	£2,671,119	0.0%
Clothing	£3,756,989	0.1%	£3,472,905	0.0%	£3,914,391	0.0%
Construction	£2,091,091,915	30.3%	£2,280,629,569	30.8%	£1,897,278,963	23.0%
Education	£50,044,476	0.7%	£66,574,347	0.9%	£58,674,720	0.7%
Facilities Management	£779,694,112	11.3%	£847,922,782	11.4%	£810,007,750	9.8%
Financial Services	£140,043,349	2.0%	£113,288,618	1.5%	£110,441,327	1.3%
Food, Beverage & Catering	£87,042,546	1.3%	£98,552,157	1.3%	£98,704,456	1.2%
Healthcare	£108,405,825	1.6%	£119,895,675	1.6%	£122,288,537	1.5%
Human Resources	£193,560,772	2.8%	£201,380,140	2.7%	£193,486,048	2.3%
ICT	£169,560,240	2.5%	£180,070,964	2.4%	£170,134,937	2.1%
Laboratory	£25,108,348	0.4%	£21,688,082	0.3%	£40,199,378	0.5%
Legal	£55,608,246	0.8%	£78,621,834	1.1%	£73,880,753	0.9%
Manufacturing & Machinery	£11,582,327	0.2%	£13,042,394	0.2%	£17,420,952	0.2%
Marketing & Media	£93,494,910	1.4%	£96,528,717	1.3%	£104,034,079	1.3%
Other Goods & Services	£149,784,863	2.2%	£201,911,294	2.7%	£250,276,844	3.0%
Personal Care	£2,961,903	0.0%	£3,293,706	0.0%	£3,095,180	0.0%





Supplier business sector	Value of spend 2018-2019	% of spend 2018-2019	Value of spend 2019-2020	% of spend 2019-2020	Value of spend 2020-2021	% of spend 2020-2021
Professional Services	£58,822,093	0.9%	£61,191,415	0.8%	£144,440,056	1.7%
Public Sector Bodies	£2,373,283	0.0%	£2,397,850	0.0%	£3,454,920	0.0%
Retail & Wholesale	£9,937,559	0.1%	£9,366,784	0.1%	£8,151,897	0.1%
Security Equipment & Services	£51,695,403	0.7%	£46,285,133	0.6%	£73,628,775	0.9%
Social Care & Services	£1,541,860,936	22.3%	£1,484,836,520	20.0%	£1,647,381,500	19.9%
Stationery & Office Products	£9,902,431	0.1%	£10,370,196	0.1%	£10,601,075	0.1%
Transport	£62,914,090	0.9%	£86,431,184	1.2%	£114,948,596	1.4%
Travel & Accommodation	£606,733,629	8.8%	£696,778,242	9.4%	£1,700,168,235	20.6%
Utilities & Energy	£150,713,178	2.2%	£200,296,359	2.7%	£194,558,494	2.4%
Vehicles	£108,735,141	1.6%	£119,036,726	1.6%	£114,610,573	1.4%
Waste & Environmental Services	£185,472,280	2.7%	£210,630,627	2.8%	£158,459,904	1.9%
<b>Total</b>	<b>£6,907,255,754</b>	<b>100.0%</b>	<b>£7,412,269,630</b>	<b>100.0%</b>	<b>£8,260,580,679</b>	<b>100.0%</b>



When compared with the figures reported for 2019 to 2020, while construction continued to dominate the spend figures for 2020 to 2021, the proportion of spend with this sector decreased by 7.8 percentage points – or from 30.8% of all spend in Scotland (where business sector is known) to 23.0%. In addition, the value of spend with the construction sector also decreased from £2.3 billion to £1.9 billion. This can at least partly be explained by the onset of the COVID-19 pandemic and lockdown arrangements, which brought the construction industry to a halt for much of the year under analysis.<sup>17</sup> With the introduction of lockdown, all but essential construction in Scotland ceased with very few exceptions, such as the NHS Louisa Jordan Hospital. This cessation of non-essential services started in March 2020 with only a very gradual and phased return – initially with site preparation and key maintenance from the end of May 2020, before steadily growing to a more business as usual provision by July.

However, the decrease in the proportion of spend in Scotland with the construction sector also represents the continuation of a longer-term pattern of declining proportions of spend with the construction sector. Since 2016 to 2017, the proportion of Scottish public body procurement spend in Scotland that can be accounted for by the construction sector has decreased from 32.7% to 23.0% of spend (where business sector is known).

The travel and accommodation sector was the second biggest area of spend for this reporting year. When compared with the figures for 2019 to 2020, the proportion of spend that can be attributed to this sector increased notably, rising by 11.2 percentage points or from 9.4% of all spend (where business sector is known) in 2019 to 2020, to 20.6% in 2020 to 2021. The value of spend with this sector also increased from £696.8 million to £1.7 billion.

The growth of spend with the travel and accommodation sector was again partly influenced by the response to the pandemic. In the previous section, we referred to Transport Scotland's high levels of spend on emergency measures that kept rail franchises and bus services in operation during the pandemic. This is corroborated by the Hub data, which shows that the majority of the £1.7 billion spend in Scotland with the travel and accommodation sector was with rail companies (£1.0 billion, or 61.3%) and bus and coach operators (£316.9 million, or 18.6%).

<sup>17</sup> For more information, please see the Scottish Government's Construction Policy Notes, for example [CPN 1/2020](#), which set out the position regarding construction work during the pandemic.



### 3.3.7 Fair Work

The Scottish Government's longstanding commitment to the principles of Fair Work took on even greater meaning during the reporting year and as we move beyond the pandemic to face a new set of economic and social challenges, Fair Work continues to be a key focus in delivering sustainable and inclusive economic growth.

When compared to the [previous report](#) for 2019 to 2020, we are seeing positive progress in the extent to which public bodies are documenting evidence of Fair Work practices within their reports. This reporting year, 95 public bodies (79%) provided such evidence in their reports - an increase on the 84 (73%) public bodies doing so for the previous year.

As an example, [Highlands and Islands Enterprise](#) noted that they included Fair Work practices in tender documents for relevant procurements and that they monitor the implementation of these practices by contractors during the lifetime of the contract:



Staff complete People Impact Assessments when relevant to a procurement to help identify aspects that need to be considered and included within the contract. This includes encouraging all suppliers awarded a contract for a regulated procurement to pay the Scottish Living Wage to individuals delivering our contracts. This helps to reduce inequalities within our region and is linked to our Living Wage employer accreditation. The Scottish Business Pledge and reference our support for the Pledge is included within our tender documentation. We have obtained annual reports from our contractors to receive confirmation on how these principles have been adopted during the previous year and to seek continual compliance."



Ninety-five public bodies (79%) included information in their data template about the number of regulated contracts awarded during the period that contained a scored Fair Work criterion,<sup>18</sup> with a combined total of around 1,700 regulated contracts being awarded with such a criterion. This represents 42% of all regulated contracts reported as being awarded by these 95 public bodies – a considerable improvement compared with [2019 to 2020](#) when the corresponding proportion, across 84 public bodies, was 25%.

Eighty-five public bodies (71%) provided information about the number of unique suppliers who have committed to paying the real Living Wage in the delivery of a regulated contract awarded during the reporting period. Across these 85 public bodies, a combined total of 2,049 unique suppliers committed to paying the real Living Wage.<sup>19</sup> This is equal to 41% of all suppliers awarded a place on a regulated contract awarded during the year.



## 1,700

Across 95 public bodies, around 1,700 regulated contracts including a scored Fair Work criterion were awarded.

### 3.3.8 Prompt payment

In recent years, the Scottish Government has stepped up its efforts to monitor public bodies' payment of invoices to their respective suppliers involved in the delivery of public contracts, as well as their wider supply chains. The outbreak of the pandemic underlined the huge importance of the timely payment of invoices in ensuring that our supplier base remains on a strong financial footing and that suppliers are ready and able to deliver the goods, works and services that we use – both in times of crisis and in our everyday lives.

It is encouraging that, despite the tremendous disruption and uncertainty caused by the pandemic, public bodies have not lost any ground in their efforts to ensure the timely payment of suppliers. In their annual procurement reports, 97 public bodies provided information about the percentage of invoices paid on time during the reporting year. Across these 97 public bodies, the average percentage of invoices paid on time was 90%. This is consistent with the figure reported for the [previous year](#) (also 90%). That said, one late payment of an accurate invoice is one invoice too many when cash flow is so vital to our economy, not just with tier one suppliers, but throughout supply chains. This continues to be a critical and key priority area of focus through Scottish Procurement Policy.

<sup>18</sup> Fair Work requirements can be addressed in tender exercises by including either scored questions, non-scored questions for information only, or pass/fail questions. A scored Fair Work award criterion question requires suppliers to describe the Fair Work practices they propose to adopt to engage their workers in order to have a positive impact on the quality of the service delivery, works performed or goods supplied. The nature and weighting applied to any question to be included will be determined on a contract-by-contract basis. For more information, see the [Scottish Government website](#). Note that Fair Work and the accompanying guidance was later superseded by Fair Work First; we will report on progress in the implementation of Fair Work First into procurement processes in future reports.

<sup>19</sup> 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.



Eighty-two public bodies provided information in their annual reports on the number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices through public contract supply chains. In total, across these 82 public bodies, a total of 2,725 regulated contracts were awarded including contract terms around prompt payment.



**2,725**  
Across 82 public bodies, 2,725 regulated contracts were awarded including contract terms requiring the prompt payment of invoices.

Many public bodies provided information in their annual procurement reports demonstrating how they ensure the prompt payment of suppliers. For several, target-setting is key to ensuring that payments are timely. For example, [Accountant in Bankruptcy](#) reported setting stringent 10-day targets in this area:



[Accountant in Bankruptcy] also promote prompt payment throughout each of our contracts and have a 10 day payment target for all invoices received. During 2020-2021 AiB paid approximately 96% of invoices within the 10 day target. It should be noted that 99% of invoices were paid within the 30 day payment terms included in the standard contract T&Cs.”

[Argyll and Bute Council](#) monitored its performance in ensuring prompt payment further down the supply chain, noting that it included a clause regarding the prompt payment of sub-contractors in 45.7% of its regulated procurements carried out during the year. For the remaining contracts, clauses of this kind were not deemed appropriate given the nature of the contracts.

During the pandemic, the Scottish Government maintained its focus on the prompt payment of its suppliers through the transition to home-based working, by introducing earlier interventions on invoices that were not cleared for payment and by extending the categories that staff could buy from using their electronic purchasing cards.

Although the evidence above shows that public bodies have not lost any ground in terms of their ability to pay suppliers promptly, some public bodies noted that the COVID-19 pandemic made it difficult to maintain prompt payment practices. For example, in its review of invoice payment performance for the year, [NHS Shetland](#) mentioned that social distancing during the pandemic made it difficult to train new staff and that home working led to some temporary process inefficiencies.



## 3.4 Good for places and communities

### 3.4.1 Spend in Scotland by supplier location

Each year, the Scottish Government undertakes a series of analyses designed to locate the places and communities that are benefiting from procurement spend. Figure 3.3 provides an overview of Scottish public body procurement spend across Scotland, showing the proportions of total spend that can be accounted for by suppliers in each local authority area.<sup>20</sup>

As Figure 3.3 shows, suppliers in local authorities across Scotland continued to benefit from public procurement spend. Continuing the trend from previous years, in 2020 to 2021, spend in Scotland was highest in Glasgow City (£2.1 billion, or 25.4% of all spend in Scotland), City of Edinburgh (£1.2 billion, or 15.1%) and North Lanarkshire (£673.3 million, or 8.2%). When combined, suppliers in these three local authorities received almost half (£4.0 billion, or 48.6%) of all public procurement spend in Scotland.

<sup>20</sup> Geographical spend is based on known postcodes which are obtained from a supplier's invoice address. The data does not capture the distribution of spend within an awarded contract - for example, a contract awarded to a company based in South Lanarkshire might be spent across a range of local authorities. As such, the data presented here cannot be seen as an entirely accurate depiction of where the economic benefits of Scottish public body procurement flow. Nevertheless, it represents a useful starting point for gauging levels of spend in different areas.





### 3.4.2 Spend in Scotland by SIMD quintile

The [Scottish Index of Multiple Deprivation \(SIMD\) classification](#) is a useful tool in enabling us to identify levels of Scottish public body procurement spend in areas of relative advantage or deprivation. Using postcode data for 6,976 data zones across Scotland, SIMD measures the level of deprivation in an area across seven domains – income, employment, education, health, access to services, crime and housing – and each data zone is then assigned to 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.

Note that the analysis draws on the postcodes of where suppliers are registered as based, and therefore does not uncover the onward impacts of the spend itself. Therefore, what is being measured is the extent to which public procurement suppliers are based in areas of greater or lesser deprivation.

As shown in Figure 3.4, in 2020 to 2021, the largest share of Scottish public body procurement spend in Scotland (where SIMD classification is known) was with suppliers based in the fourth quintile, with suppliers based in this quintile receiving 33.8% (or £2.7 billion) of spend. When combined, suppliers in the first three quintiles – in other words, suppliers in the 60% most deprived areas in Scotland – received almost half (48.7%, or £3.9 billion) of spend.



**£3.9 billion**

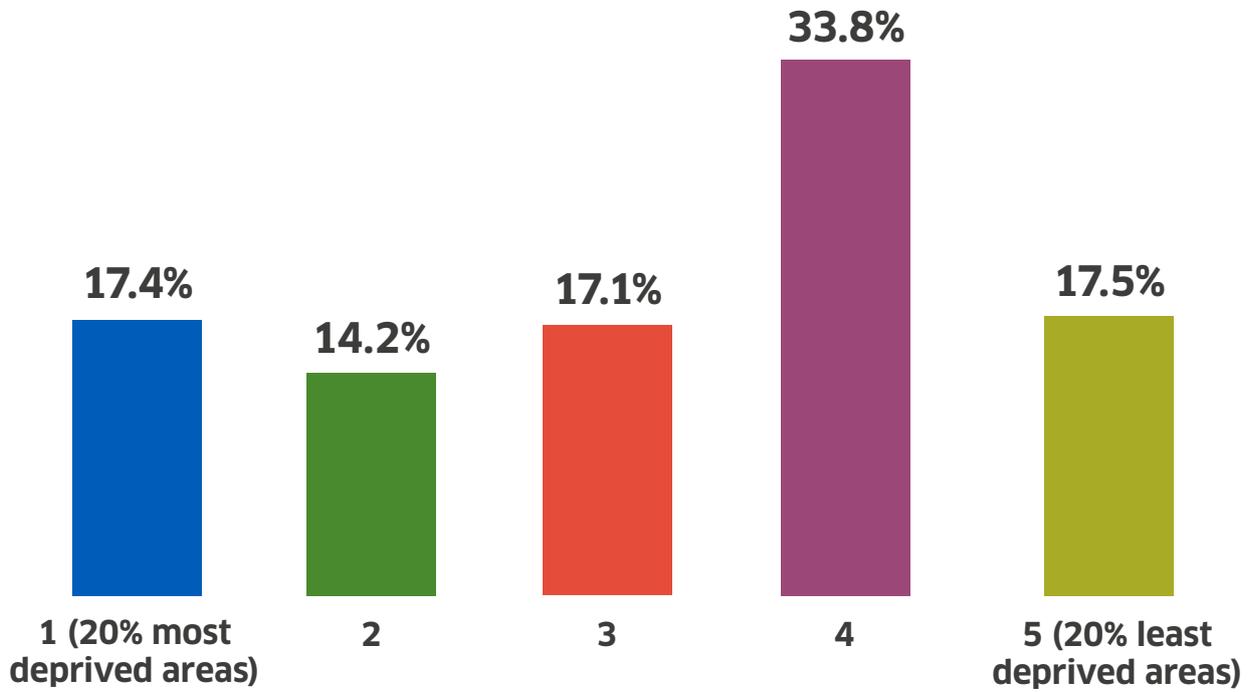
Suppliers in the 60% most deprived areas in Scotland received almost half (48.7%, or £3.9 billion) of procurement spend.

When compared with the spend figures for [2019 to 2020](#), the proportion of spend with suppliers based in the first quintile (the 20% most deprived areas in Scotland) increased from 16.5% to 17.4%.



**Figure 3.4:**

Scottish public body procurement spend in Scotland by SIMD quintile of suppliers (where SIMD classification is known)





### 3.4.3 Spend in Scotland by urban/rural classification

As with previous years, the Scottish Government has also carried out an analysis of Scottish public body procurement spend by [urban/rural classification](#). By measuring the population size of a given postcode area, as well as its distance from nearby settlements, the classification provides a consistent way of defining urban and rural areas across Scotland.

The analysis demonstrates that, once again, businesses across Scotland continued to benefit from Scottish public body procurement spend. In 2020 to 2021, £7.5 billion (or 91.4%) of Scottish public body procurement spend in Scotland (where

urban/rural classification is known) was with suppliers based in urban areas, while suppliers in rural areas received £713.1 million (or 8.6%) of spend. Using the eight-fold urban/rural classification, Table 3.2 breaks this spend down in further detail.

As shown in the table, when analysed in more detail, suppliers based in large urban areas accounted for over half (£4.4 billion, or 53.6%) of Scottish public body procurement spend in Scotland (where urban/rural classification is known). This was followed by spend with suppliers based in other urban areas, accounting for £2.7 billion of spend (or 32.8%).

**Table 3.2:**

Scottish public body procurement spend in Scotland by urban/rural eight-fold classification (where urban/rural classification is known)

Area type	Value of procurement spend	Proportion of procurement spend
Large urban area	£4,424,004,247	53.6%
Other urban area	£2,707,936,662	32.8%
Accessible small towns	£261,801,469	3.2%
Remote small towns	£67,537,217	0.8%
Very remote small towns	£76,111,326	0.9%
Accessible rural	£575,363,572	7.0%
Remote rural	£64,816,458	0.8%
Very remote rural	£72,921,587	0.9%
<b>Total</b>	<b>£8,250,492,540</b>	<b>100.0%</b>

### 3.4.4 Proximity of spend in Scotland

In August 2020, the Scottish Government published the [Economic Recovery Implementation Plan](#), placing an emphasis on the importance of local economies in driving our sustainable economic recovery from the COVID-19 pandemic. As part of the Plan, the Scottish Government committed to ensuring that local businesses are aware of public procurement opportunities and to making it easier for these businesses to bid for – and win – public contracts.

Then, in the [Programme for Government for 2020 to 2021](#), the Scottish Government committed to rolling out a new Supply Chain Development Programme across pivotal sectors of the economy with sustainable economic potential. A collaboration between procurement, economic development, enterprise and industry, the programme aims to strengthen and grow Scotland's manufacturing base, enabling firms in Scotland to compete more effectively for public contracts. Amongst other priorities, the programme seeks to identify opportunities for increased local capability and greater resilience amongst the supplier base.

The importance of local economic development is also underlined by the growing significance of the [community wealth building](#) approach – an approach which is already standard public procurement practice as part of the Sustainable Procurement Duty. Community wealth

building seeks to redirect wealth back into local economies, giving more control to local people and to their communities. One of the ways in which we can improve this is by developing local supply chains that are likely to support local employment and preserve wealth within local communities.

The localised approach to achieving inclusive economic growth is also reflected in the Scottish Government's commitment to [City Region Deals](#); these are packages of funding designed to foster long-term approaches to improving regional economies through partnership-working.

This is why, for the year 2020 to 2021, the Scottish Government undertook new analysis focusing on the proximity of spend – more specifically, the value and proportion of Scottish public body procurement spend in Scotland that was with suppliers based within the local area of the purchasing body.<sup>21</sup>

The results of the analysis show that local spend accounts for a significant proportion of all Scottish public body procurement spend in Scotland. In 2020 to 2021, 43.7% of spend in Scotland was with suppliers based within the local area of the purchasing body. This equates to £3.6 billion of spend. Meanwhile, the remaining 56.3% of spend (or £4.6 billion) was with suppliers based outside the local authority area of the purchasing body.



**£3.6 billion**

43.7% of spend in Scotland was with suppliers based within the local area of the purchasing body. This equates to £3.6 billion of spend.

<sup>21</sup> On the Hub, spend is classified as local if the purchasing authority is based in the same local authority area as the supplier, whereas it is classed as elsewhere if they are in different local authorities. The analysis is dependent on known supplier postcodes. Supplier postcodes are matched to the list of postcodes in the local authority area in which the customer is based. The local authority area is defined by the ONS.



The annual procurement reports show that the wider public sector recognises the importance of local economies in driving economic growth. Examples of activity designed to encourage local suppliers to participate in public procurement included:

- splitting national requirements into geographical lots
- highlighting contracts that local businesses might be interested in bidding for
- ensuring that a fair representation of local companies are invited for low value quotes
- encouraging suppliers to use local organisations in their supply chains.

[Ayrshire College](#) explained how they took steps to actively monitor the proportion of suppliers that are based in the local area:



Ayrshire College continues to be committed to supporting local businesses and recognises that by spending with local businesses our requirements for goods and services can enhance lives and bring social benefits beyond the actual amount spent. For this reason, engaging with and buying from local suppliers, wherever possible, remains a key element of our procurement strategy. [Two hundred and twenty-nine] suppliers (23%) were based in Ayrshire, a slight fall on the previous year (24% in 2019-21) with 30% of suppliers based in the rest of Scotland.”

### 3.4.5 Community benefit requirements

The 2014 Act requires public bodies to consider including community benefit requirements in all regulated contracts with an estimated value of £4 million or more. By including these requirements where they are relevant and proportionate, public procurement can be – and has been – used as a means of delivering wider economic, social and environmental benefits to communities across Scotland.

In their annual procurement reports, 106 public bodies provided information on both the number of regulated contracts awarded with a value of £4 million or greater (262 regulated contracts) and the number of regulated contracts awarded with a value of £4 million or greater that contained community benefit requirements (171). This means that community benefits were contained in 65.3% of regulated contracts with a value of £4 million or greater.



It is encouraging that public bodies also continued to include community benefit requirements in contracts valued under the £4 million threshold. Across the 107 public bodies providing the relevant information in their reports, 905 regulated contracts under the £4 million threshold contained community benefit requirements. As an example of how community benefit requirements can be delivered successfully in contracts under the £4 million threshold, [Scottish Enterprise](#) noted the following in their annual procurement report:

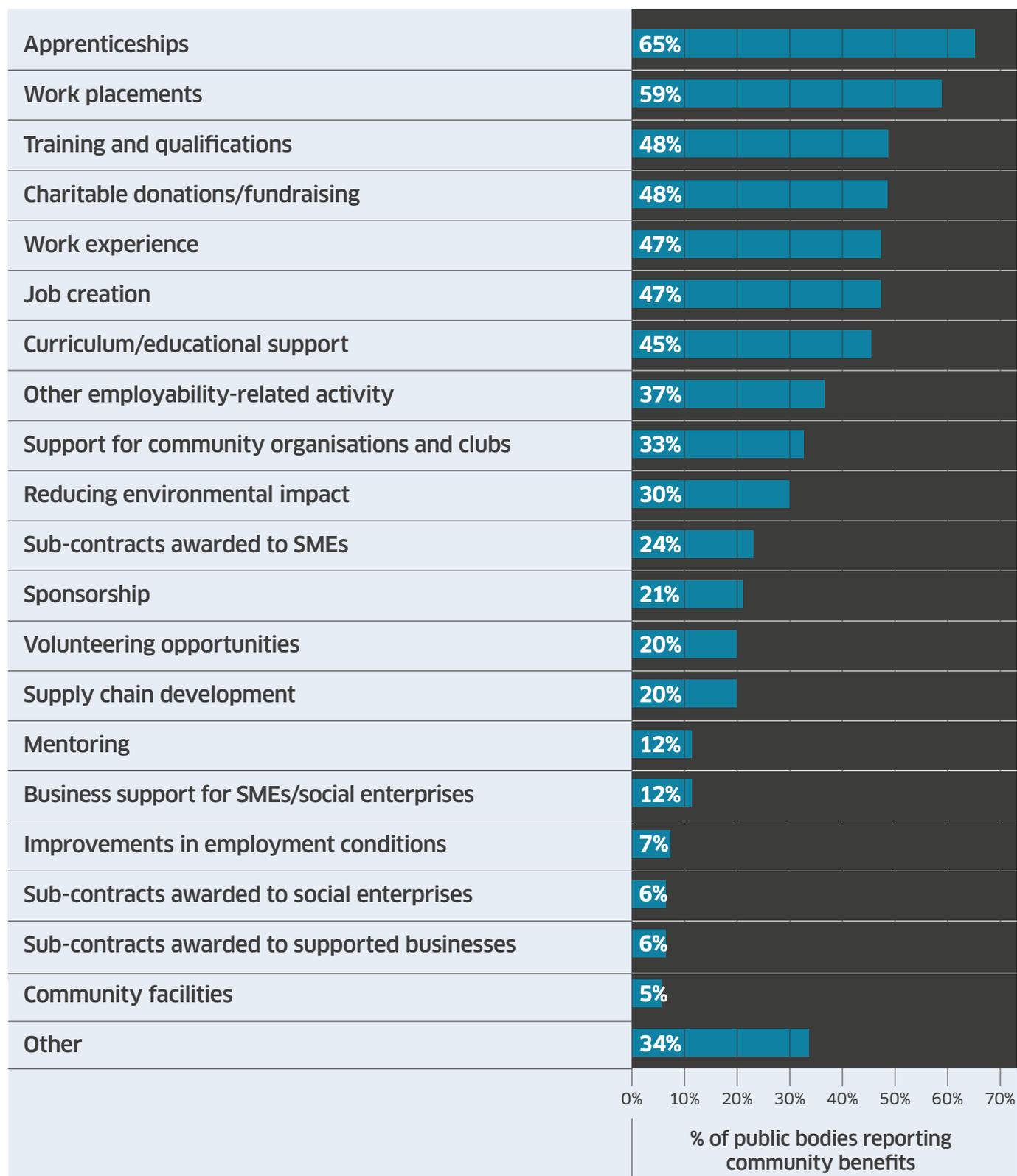
Based on data obtained from 86 public bodies, Figure 3.5 below summarises the types of community benefits delivered during the reporting year. As was the case with the [previous reporting year](#), apprenticeships and work placements were the two most common types of community benefits delivered, as reported by 65% and 59% of public bodies respectively. This was followed by training and qualifications and, separately, charitable donations and fundraising, both of which were reported by 48% of public bodies.



Community Benefits are an important element of the sustainable procurement duty. They can be used to build economic, social and environmental benefits into the delivery of public sector contracts in Scotland. Within our standard invitation to tender for regulated procurement projects Scottish Enterprise states that we expect suppliers to provide a community benefits proposal within tender returns. During the period of this annual report, 28 regulated procurement projects have proposed community benefit activities as a result of having been awarded [a Scottish Enterprise] contract.”

**Figure 3.5:**

Types of community benefits delivered during 2020 to 2021





Separately, through the data template that public bodies complete each year as part of the annual reporting process, the Scottish Government also gathers key contract information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during each reporting year. In 2020 to 2021, across 77 public bodies providing the relevant data, a combined total of 1,056 jobs and 441 apprenticeships were filled by priority groups through community benefit requirements.



**1,056**

Across 77 public bodies, 1,056 jobs and 441 apprenticeships were filled by priority groups.



## 3.5 Good for society

### 3.5.1 Equal treatment and non-discrimination

In line with the 2014 Act, public bodies are required to carry out their regulated procurement activity in line with the General Duties of equal treatment and non-discrimination. In doing so, public bodies can encourage a wider range of potential suppliers to engage with public procurement, while also stimulating greater levels of competition and innovative thinking. Ultimately, this allows us to achieve better value for public money.

While it is not a legislative requirement for public bodies to provide evidence of acting in line with the duties of equal treatment and non-discrimination, many do so. For the 2020 to 2021 reporting cycle, 97 public bodies (81%) provided this kind of evidence in their annual procurement reports. It is important to note that this does not necessarily mean that 19% of public bodies are not carrying out their procurements with regard to the duties of equal treatment and non-discrimination; it is simply the case that not all public bodies are choosing to report on their efforts in this regard.



**81%**

81% of public bodies provided evidence of carrying out their procurements with regard to equal treatment and non-discrimination.

Taken from the annual procurement reports, some common examples of how public bodies have complied with these duties included:

- using PCS and the Official Journal of the European Union to advertise all regulated procurement opportunities
- using clear, precise and plain language in tender documents, to facilitate understanding of requirements
- ensuring that only staff with appropriate training and experience are authorised to oversee regulated procurements
- using a toolkit of standard procedures, templates and processes to ensure best practice and consistency.

For example, to ensure compliance with the duties of equal treatment and non-discrimination, the [Scottish Parliament](#) ensures that all tender documents are written in plain English to facilitate bidders' understanding while also ensuring that all evaluation teams are led by a purchaser.



To ensure our suppliers are treated equally and our process is fair and transparent, purchasers have led all selection and tender evaluations. All those involved in the procurement must complete a conflict of interest declaration form. The Head of Procurement is the decision maker if any actual or perceived conflict is identified.”



### 3.5.2 Equality and diversity

The [public sector equality duty](#) of the Equality Act 2010 requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not, and
- foster good relations between people who share a protected characteristic and those who do not.

The [Fairer Scotland Duty](#) (Part 1 of the Equality Act 2010) came into force in Scotland in 2018 and requires particular public bodies to have due regard to how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.

Equality legislation has informed the overall approach to public procurement in Scotland, and compliance with the equality duties aligns with the provisions of the 2014 Act that are used to advance equality - in particular, the Sustainable Procurement Duty, the use of community benefit requirements, engaging with supported businesses and Fair Work considerations.

The national [sustainable procurement tools](#) and supporting guidance include a focus on identifying and pursuing equality outcomes in relevant procurements.

In their annual procurement reports, public bodies provided examples of how they undertook their regulated procurement activity with due regard to considerations around equality and diversity - for example, by building equal opportunities clauses into the terms and conditions for service contracts, or by undertaking equalities impact assessments ahead of all regulated procurements. The [University of the West of Scotland](#) ensures that relevant criteria relating to equality are included in all tenders.



At UWS we are committed to advancing and promoting equality and diversity in all of our activities and aim to establish an inclusive culture, free from discrimination and based upon the values of fairness, dignity and respect. We are committed to enhancing wellbeing and have the structures, leadership and support in place to embed equality, diversity and inclusion into everything we do. Equality, Diversity & Inclusion is included as an award criterion in all tenders.”



### 3.5.3 Climate change

Public procurement plays an important role in helping Scotland to achieve its targets around climate change. As part of the Sustainable Procurement Duty, prior to carrying out a regulated procurement, public bodies are required to consider how they can improve the economic, social and environmental wellbeing of their area. In line with this, public bodies should then report progress on how they have used procurement to contribute to the response to the global climate emergency.

In recognition of the importance of this issue, in March 2021, the Scottish Government launched its [Climate Literacy eLearning for Procurers](#). This is a unique, demand-led product which helps to encourage and assist public bodies to take account of climate and circular economy in their procurement activity. This eLearning was produced in collaboration with a wide range of public bodies through the People and Capability work stream of the Climate and Procurement Forum.

For the 2020 to 2021 reporting cycle, 85 public bodies (71%) provided evidence in their annual procurement reports of how they are addressing environmental wellbeing and climate change through procurement. This is an increase on the [previous year](#), when 77 public bodies (67% of those submitting reports that year) did so. This does not necessarily mean that 29% of public bodies are not addressing environmental wellbeing and climate change through procurement – rather, they are simply not reporting on it.

In their reports, public bodies provided a range of examples of activity designed to address environmental wellbeing and climate change, for example:

- working through the national Climate and Procurement Forum to mobilise public procurement's contribution to addressing the climate emergency
- embedding considerations of climate in decisions on whether, what and how much to buy as major contributors to reducing emissions, as well as embedding considerations in the tender documentation and process
- using the Scottish Public Procurement Prioritisation Tool to test for environmental factors, and other tools such as Life Cycle Impact Mapping and the Sustainability Test
- undertaking procurement staff training, including the Climate Literacy eLearning for Procurers
- establishing a cross-functional climate change working group with representation from procurement staff
- ensuring that every contract strategy takes account of the potential impact on the environment and identifies ways in which the impact can be reduced.



## 71%

71% of public bodies provided evidence of how they are addressing environmental wellbeing and climate change – an increase on the previous year (67%).



Some public bodies, such as [West of Scotland Housing Association](#), reported using weighted quality questions around environmental impact in tender assessment processes and in contract management Key Performance Indicators (KPIs):



We have in the past ensured [that our objective of ensuring minimal environmental impact] is factored into all procurement processes and where relevant we add a quality question in relation to this which has a score and weighting. This has been particularly important when we tender for our development projects. However, we will develop this further in line with the Green Strategy that is now in place and we will focus on KPIs and reporting in relation to reduction in carbon emissions as part of our contract management. Our Procurement Strategy and Procurement Policy has been updated to reflect the links between procurement and the objectives of the Green Strategy.”

A few public bodies also highlighted the environmental gains made by their organisations as an indirect consequence of the COVID-19 pandemic. There was a sense from these bodies that the pandemic led to the development of more sustainable ways of working. For example, [APUC](#) mentioned that the reduction of staff travel for everyday commuting and meetings led to a reduction in travel emissions and waste. Similarly, as noted by the [Care Inspectorate](#):



As our offices have remained closed in response to the COVID-19 pandemic, we have developed more sustainable methods of working where our paper requirement has reduced from 626 boxes in 2019/20 to 12 boxes this year. We plan to maintain these more sustainable methods of working post COVID-19.”

The concept of the ‘circular economy’ is key to the Scottish Government’s climate commitments. A circular economy involves keeping resources in use for as long as possible, extracting maximum value from them, and then recovering and regenerating the products and materials used at the end of each product’s life cycle. Some public bodies provided evidence of how they used public procurement to promote the circular economy and, more widely, to support climate change targets. For example, as [Scottish Prison Service](#) noted:



SPS normally undertakes a number of circular economy, recycling, reuse activities in conjunction with the Third Sector e.g. repair of washing machines and electrical appliances on behalf of Castle Enterprise, Home Aid, Furniture Plus, Tayside Recyclers, and repair of bicycles on behalf of the Bike Station, etc. Outcome delivery is undertaken at a local prison level. As part of the purchase of new gymnasium equipment, the SPS encouraged circularity. This resulted in the sale of 100 used machines (various types & ages) to the supplier (Pulse Fitness) with these being uplifted when the new equipment was delivered. The old equipment will be refurbished and sold into the second-hand market by the supplier.”



## 3.6 Open and connected

### 3.6.1 Openness and transparency

The principle of transparency requires public bodies to approach their public procurements in an open and inclusive way. This is an effective means by which public bodies can encourage competition and, in turn, achieve better value for money.

Public bodies are increasingly using their annual procurement reports to demonstrate that they have carried out their regulated procurements in accordance with the duty of transparency. This year, of the 120 public bodies submitting a report, 107 (89%) provided evidence of conducting their procurements in a transparent manner. This is an increase compared with [2019 to 2020](#) when the corresponding figure, among 91 public bodies, was 79%. Again, this does not necessarily mean that 11% of public bodies did not conduct their procurements in a transparent manner – rather, it is a reflection of the minimum requirements around reporting.



### 89%

89% of public bodies provided evidence of conducting their procurements in a transparent manner – an increase on the 79% reported last year.

Taken from the annual procurement reports, examples of how public bodies are conducting their procurement activity in a transparent manner included using portals such as PCS and PCS-Tender, publishing forward plans of collaborative opportunities, ensuring transparency in selection and award criteria, and offering post-tender feedback reports to successful and unsuccessful suppliers. [Forestry and Land Scotland](#) noted the following in their report:



Every regulated tender is produced by a User Intelligence Group (UIG) made up of subject matter experts. The UIG is led by a Regulated Procurement Officer who is responsible for ensuring the tender is run in a fair and transparent manner and our policy requires that the UIG must declare any conflicts of interest; those that do may be removed from the UIG.”

PCS also continues to provide the [Open Contracting Transparency](#) page where contract notices and award notices published by all Scottish public sector bodies can be downloaded free of charge in a variety of different standards.



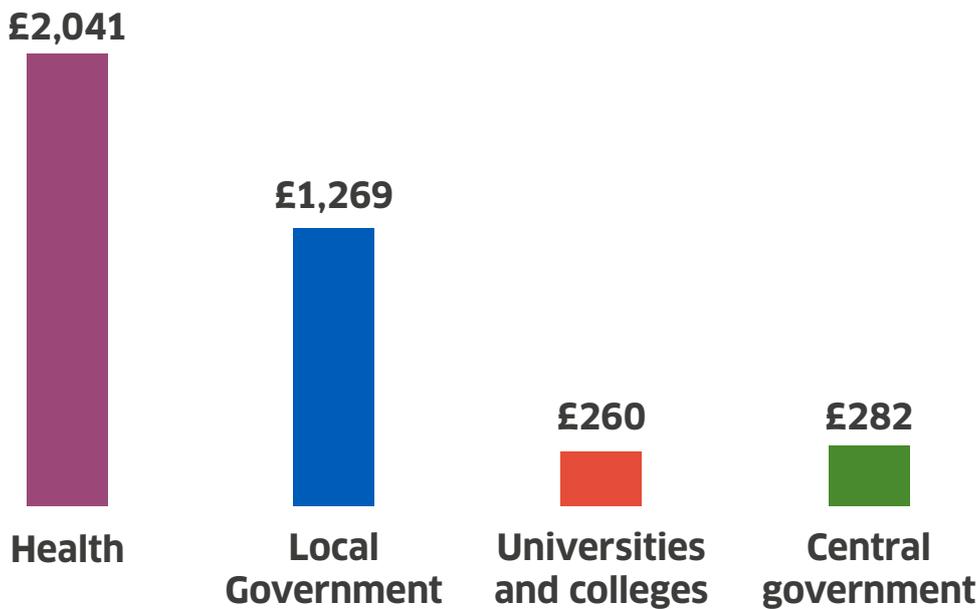
### 3.6.2 Collaborative spend

The four Centres of Expertise play a key role in encouraging collaborative working across public bodies and the supplier base – for example, through collaborative agreements which public bodies can use to purchase a wide variety of goods and services.

Data provided by the Centres of Expertise indicates that during the 2020 to 2021 reporting year, collaborative spend across the public sector was around £3.9 billion.

This is an increase on the approximately £3 billion of collaborative spend during the previous reporting year. Figure 3.6 provides a breakdown of collaborative spend in 2020 to 2021 by sector. It shows that around half of all collaborative spend took place within the NHS, with this sector accounting for around £2.0 billion (or 53.0%) of all collaborative spend.

**Figure 3.6:**  
Collaborative spend by sector, 2020-2021 (£million)





### 3.6.3 International influence of Scottish public procurement

Despite the challenges that the pandemic posed to our usual ways of working and to our ability to connect with others, during the reporting year the Scottish public sector continued to engage with governments, industry bodies and procurement specialists elsewhere in the UK and further afield.

The annual procurement reports provide concrete examples of how, during the year, public bodies maintained their efforts to promote Scottish public procurement and to engage across borders. For example, through its membership of international bodies, [Glasgow Clyde College](#) noted its continued engagement with public bodies and procurement professionals across the UK and Ireland:

The [Scottish Government's](#) annual procurement report provides notable examples of how the organisation continued to promote and drive public procurement practice internationally. In June 2020, the Scottish Government delivered a presentation on the Power of Procurement to the Agrifood Knowledge Transfer Network in Africa. As part of this, the organisation promoted its resources and toolkits to underpin better procurement and supply chain management in the Agrifood Industry. It also supported the World Procurement Awards, was represented on the judging panel of the Welsh GO Awards, and shared best practice approaches to sustainable procurement as an adviser to the UK Government's BEIS sustainable procurement project.



Glasgow Clyde College is also a member of Environmental Association for Universities and colleges (EAUC). The EAUC is the environmental and sustainability champion within Further and Higher Education in the UK and Ireland. It aims to ensure that its members have access to important information relating to environmental legislation, technologies, best practice and research to enable each university and college to improve its environmental performance."

### 3.6.4 Innovation

Innovation refers to the implementation of a new or significantly improved product, service or process, either to help solve societal challenges or to support sustainable and inclusive growth. As part of the Sustainable Procurement Duty, before carrying out a regulated procurement, public bodies are required to consider how, in conducting the procurement process, they can promote innovation.

It is encouraging that many public bodies provided evidence of how they have acted in line with this aspect of the Duty in their annual procurement report. In 2020 to 2021, 70 public bodies (58% of those submitting a report) provided evidence of promoting innovation. Examples provided by public bodies include embracing new technology, implementing new tools, collaborating with other organisations and/or business areas, and encouraging innovative ways of delivering community benefits.

As another example, [NHS Greater Glasgow and Clyde](#) implemented an innovative solution to help mitigate against the impact of staff shortages within its pharmacy service:



A number of innovative developments have taken place across pharmacy in the past 12 months despite the pressures associated with the pandemic. The Pharmacy Distribution Centre introduced a 10th robot, this time being [built] and commissioned inside one of the existing cold rooms. This enables a quicker and more accurate pick and increases the volumes of items being picked automatically to 80%. This installation is the first of its kind in the UK and ensured on-going service provision despite reduced workforce during the pandemic.”



## 58%

In their annual procurement reports, 58% of public bodies provided evidence of promoting innovation.

As part of the ambition to foster a culture of innovation, NHS National Services Scotland (NHS NSS) used the Health Innovation Assessment Portal (HIAP) during the pandemic to receive innovative submissions from businesses. HIAP was designed as a single point of contact for innovative business solutions to NHS and social care in Scotland. In 2019, an Edinburgh-based laboratory testing company approached HIAP with a new novel testing and analysis machine for the detection and screening for influenza. This solution was quickly triaged to the Scottish National Virology Network for feedback and early indications were positive. Then, with the onset of the pandemic, the company quickly introduced a solution to test for COVID-19. The rapid antigen test quickly gained traction and health boards across Scotland started using the test capacity. The company grew from a small business to a mid-sized organisation through the creation of 500 new jobs. Later, cross-sectoral work commenced to assess how the wider Scottish public sector could learn from and expand the HIAP model to create a national service. The new service will incorporate HIAP and be named ‘Scotland Innovates’. Launched in 2022, Scotland Innovates expands the submission and assessment of innovative products and solutions across the entire Scottish public sector. It provides potential suppliers with guidance and support on how to develop ideas and innovations into products and technologies that may be useful in the provision of our public services. We will provide more information about Scotland Innovates in future reports.



## Case study: Cytosponge

Public bodies are faced with a range of societal challenges – zero emissions, tight budgets and our increasingly elderly population. Creating new and significantly improved products, services or processes with the purpose of helping to solve such challenges is not straightforward and often required a cross-sectoral and disciplined approach to create new innovative services, irrespective of where they emanate from. One challenge we face is the rise of oesophageal cancer in Scotland.

“Incidence of oesophageal cancer has increased sixfold over the last 20 years with Scotland having one of the highest rates in Europe, with citizens often presenting late with consequent poor outcomes. Cytosponge technology (cell collection device) is a simple, cost-effective and relatively non-invasive test which can be administered in an office setting by a nurse or health care professional. It is able to diagnose pre-cancerous Barrett’s Oesophagus (known pre-malignant lesion for oesophageal cancer).

“This programme is sponsored by the National Centre for Sustainable Delivery’s Modernising Patient Pathways Programme, and led by Professor Grant Fullarton with significant input from cross disciplinary team members from the NHS, Scottish Government, supply chain partners, academia and beyond, working together to create this new service... Work on Cytosponge has further developed our understanding of the requirements to successfully deliver innovative services to many citizens across Scotland. It has shown the need for integrated cross-disciplinary/sectoral teams inclusive of procurement to co-design, develop and roll out new innovative services at scale.”

The Scottish Government is also committed to ensuring that a large part of its tech spend goes to small, innovative businesses. The CivTech process is designed to create digital solutions to public sector problems as quickly and effectively as possible. To do so, CivTech issue problems which are known as ‘open challenges’ and any organisation, team or individual can respond to these problems. Applications are assessed and shortlisted proposals go into an exploration stage where they are developed further. The best go through to the ‘accelerator’ – four months of intensive work to create the solution; and through CivTech’s unique business workshop system, a business capable of taking the emerging product to the world is created.

During the year, CivTech launched a total of 13 challenges from a wide range of public sector organisations. Across these challenges, and when we include those progressing from previous years, a total investment of around £2.3 million went to the innovative companies developing solutions. All of the companies were SMEs, and a large proportion were early stage companies. The multistage selection process once again proved its robustness and suitability for the procurement of innovation.



### 3.6.5 Research activity

During the reporting period, the Scottish Government stepped up its efforts to collect more evidence on the effectiveness and impact of public procurement policies and practices across Scotland, publishing the findings from two key pieces of research over the course of the year.

The first of these was an [external analysis of the impact and value of the Sustainable Procurement Duty](#), published in December 2020. The research found that the Duty had led to a step change in procurement practice in Scotland, and that there had been significant progress since the Duty was introduced. The research uncovered many examples of public bodies taking action to improve social, economic and environmental wellbeing, to involve SMEs, third sector bodies and supported businesses, and to promote innovation. The research also argued that Scotland was ahead of many other countries in its approach to sustainable procurement practices, and that the Duty was contributing to the achievement of national outcomes and the Scottish Government's overarching purpose, as outlined in the [National Performance Framework](#).

However, the research team noted that more needed to be done to take implementation to the next level, and that there was room for progress across all three strands of the Duty – in particular, in relation to innovation. The report noted that austerity and budgetary challenges had limited some of the potential for change, but despite these challenges there was more that public bodies could do to deliver impact. Creativity and ambition in relation to implementing the Duty were not universal and there were many lessons to be learned from organisations that had implemented the Duty successfully.

Then, in March 2021, the Scottish Government published the results of its [survey of suppliers to the Scottish public sector](#). The survey was the first of its kind within the Scottish Government to engage with suppliers on the issue of public procurement on such a large scale, receiving some 1,556 responses in total from suppliers based in Scotland and further afield. The survey found that there was much to be positive about in respect of Scottish public sector procurement and the recent work done to improve it. For example, the survey found that, on the whole, suppliers were relatively well-equipped to bid for and deliver Scottish public sector contracts and, in doing so, were generally asked to consider a range of issues – particularly where they relate to the Sustainable Procurement Duty.

At the same time, however, the survey noted that there were clearly areas in which the Scottish public sector could do more to maximise the impact of public procurement. In particular, there were strong indications from suppliers that the tendering process could be better-streamlined and simplified, with many suppliers indicating that procurement was still overly-complex and that the process was somewhat burdensome. There was a clear sense that SMEs, third sector organisations, sole traders and local suppliers were finding it particularly difficult to navigate this system and also to access, bid for and deliver contracts.

In response to the above, the Scottish Government established a cross-sector working group with representatives from across the public sector to consider the recommendations from the research on the Sustainable Procurement Duty, alongside an internal Scottish Government working group to consider the supplier survey findings. The groups took into account the evidence arising from both research projects. These actions led to the discussion and creation



of comprehensive action plans to be taken forward by the appropriate stakeholders, aiming to alleviate and tackle the challenges identified.

The actions taken forward were categorised into themes, with targeted work initiated or planned. These themes and the resulting actions are outlined below.

## Leadership, accountability and engagement

The Scottish Government is continuing to measure and benchmark the impact of procurement, engaging with industry, public sector bodies and global leaders in the field to test approaches and inform continuous improvement in policies and practices. Working with relevant stakeholders, there is a continued focus on pushing the boundaries to ensure we can maximise the impact of procurement on delivering wider social, economic and climate-related outcomes, leading the collaborative development of innovative and sustainable solutions and approaches to enable our ambitions. In the reporting period, this included a particular focus on:

- initiating and endorsing a set of [national procurement priorities](#) which give clarity on good practice in public procurement, building on the findings of the research undertaken during the year
- practical steps that should be taken to build resilient and diverse supply chains, helping to reduce the risk of disruption to supplies caused by supply chain vulnerabilities and surges in demand, as outlined in [SPPN 9/2020](#)
- continuing to embed the Sustainable Procurement Duty and community benefits through policy to underpin community wealth building aspirations

- and taking account of climate and circular economy considerations in public procurement, as highlighted in [SPPN 1/2021](#)<sup>22</sup>

## Mainstreaming procurement to support consistency of local practice

Based on the research findings that there is local variation in the application of national policy, the Scottish Government initiated a number of targeted work streams. Within the reporting period, this included:

- work to update the [Procurement & Commercial Improvement Programme](#) (PCIP) to measure and track the local implementation of policy and best practice
- expanding the focus of capability strategies to improve consistency where appropriate
- working through the Construction Leadership Forum to initiate the development of a [Construction Accord](#) and targeted policy to maximise impact
- developing [targeted guidance](#) on measuring social impact through procurement, with support for application of this and other policies in the form of the [sustainable procurement duty tools](#) and accompanying guides
- initiating a review of prompt payment practices and any opportunities to strengthen policy.

<sup>22</sup> Subsequently updated in [SPPN 3/2022](#).



## Contract and supplier management

The research findings reported a number of challenges which could be mitigated through more robust contract and supplier management (CSM) processes. During the reporting period, there was a significant focus on improving CSM capability and embedding contract and supplier management in critical supply chains, though this focus was predominantly on maintaining supply chain continuity during the pandemic. While there is a continued focus on CSM within national and sectoral collaborative contracts, local capacity continues to be a major factor in the ability to adopt and implement effective CSM.

## Tracking, sharing and publishing evidence

The Scottish Government continues to work with public bodies to further embed the process of preparing their procurement strategies and annual procurement reports, while also publishing the annual report on procurement activity in Scotland providing an overview of procurement activity in Scotland each year. In addition, the Scottish Government is committed to undertaking and publishing targeted research to build an evidence base, measure impact and inform approaches. It also continues to act on the evidence generated and, during the reporting period:

- continued to invest in a range of supplier offerings to help Scottish SMEs and third sector organisations engage and bid better, including the [Supplier Development Programme](#), further enhancement of the [Public Contracts Scotland](#) portal and the [Supplier Journey](#), signposting to [business support](#) and hosting roundtables to continue the dialogue on opportunities for improvement

- developed targeted tools and guidance to drive best practice within the procurement process, targeting areas of known concern, including [guidance to underpin construction procurement](#) including on [managing disputes and cash flow](#) and the [use of Project Bank Accounts](#).

## Development of Management Information (MI) and use of eCommerce

Work was undertaken to establish clear national MI and reporting expectations to track performance and inform opportunities for improvement, including plans for a new MI reporting platform and publication of a national dashboard.

The Scottish Government's eCommerce and Best Practice Shared Service is shifting away from using technology purely to support transactional purchasing activity, and towards how technology and procurement best practice can support more efficient delivery of public service outcomes. Examples of activity aligned with this included:

- rolling out e-invoicing capability across the public sector and its supply base to make the payment process even more streamlined and efficient
- providing NHS dental practitioners with access to PECOS, to enable the supply of critical PPE throughout the pandemic
- updating the [Procurement Journey](#) to include best practice guidance on the inclusion of prompt payment, climate emergency and Fair Work in tender documents and the monitoring of these through contract management procedures
- Scottish Prison Service went live with PECOS, bringing the total number of public bodies using it for full purchase-to-pay capability to 85.



Going forward, public procurement will continue to be key in enabling sustainable and inclusive economic recovery as we address the longer-term impacts of the COVID-19 pandemic. It is by taking a collaborative approach within organisations, and working together with suppliers and public bodies across Scotland, that we will use all the levers at our disposal to maximise the impact of public procurement in Scotland for the benefit of all.

Importantly, the actions recommended or underway harness the opportunity to learn from our experiences and build on the 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, and open and connected.

# 4.

## Future procurement activity



The 2014 Act requires public bodies to provide a summary, in their annual procurement reports, of the regulated procurements expected to commence over the next two financial years. This brings added transparency to the procurement process and enables suppliers to gain an early indication of upcoming tendering opportunities and to plan accordingly for these.

Some public bodies commented on the difficulties of being able to accurately predict the nature and extent of their upcoming procurement activity, and there is some evidence that the pandemic made this more challenging. For example, as the [Scottish Parliament](#) noted, changes in the usage of contracts during the reporting year had a knock-on effect on the planning of future contracts:



Use of some contracts increased as we put in place infrastructure to support the hybrid meetings, made necessary adaptations for physical distancing, and equipped staff for home working. Other contracts saw usage fall due to the lack of staff and visitors in the building, such as the crèche, catering facilities and visitor related services. The change of usage in contracts has also affected the planning of future procurements. Some anticipated projects have been postponed as the level of demand has dropped and some will need time to be rescoped to take into account changes in our ways of working, particularly around digital capability.”

Despite the challenges, it is encouraging that public bodies are increasingly providing information on their future procurement activity. For this reporting cycle, 117 (98% of reporting bodies) provided information on the total number of regulated procurements expected to commence in the next two years – an increase from the [previous reporting year](#), when 97 public bodies (84%) provided this information. Across these 117 public bodies, the total combined number of regulated procurements expected to begin in the next two years was 6,872.



**6,872**

Across 117 public bodies, 6,872 regulated procurements are expected to commence in the next two financial years.

One hundred and five public bodies (87%) provided information in their reports on the estimated value of the regulated procurements expected to begin in the next two financial years – an increase on the 84 public bodies (73%) who did so for the previous year. Across these 105 public bodies, the combined total estimated value was £32.2 billion.



**£32.2 billion**

Across 105 public bodies, the total estimated value of regulated procurements expected to commence over the next two years was £32.2 billion.

In terms of the nature of the regulated procurements expected to commence in the next two years, public bodies detailed a wide range of goods, services and works. For example:

- local government – employee wellbeing services, consultancy support, provision of early learning and childcare, and housing information and advice
- central government – telecoms services, legal services, occupational health services, and bus transport services
- universities and colleges – library management systems, vehicle hire, cleaning materials and consumables, student placement software, student accommodation services
- health sector bodies – supply of cleaning products, bowel screening, test and protect call centres, online mental health support for children, mental health services, dental services
- registered social landlords – landscape maintenance, windows and doors replacement, construction of affordable housing, drainage, furniture, and gas maintenance and servicing.



## 5. Conclusion

In providing an overview of procurement activity during the 2020 to 2021 reporting year, this report demonstrates that public bodies continued to maximise the value that public procurement can generate, by using it to achieve a wide variety of economic, social and environmental benefits for businesses and communities across Scotland.

During the reporting year, the COVID-19 pandemic brought huge disruption to our everyday lives and to our usual ways of working. This report highlights the many ways in which the pandemic impacted on public sector procurement activity, while also profiling some of the steps that public bodies took to mitigate this impact and to protect themselves and their suppliers and wider supply chains.

Despite the huge uncertainty created by the outbreak, the evidence shows that the Scottish public sector has, generally continued to make progress in relation to public procurement objectives since the [previous report](#) was published. In view of the challenges and disruption that public bodies faced during the 2020 to 2021 reporting year, it is encouraging that many were able to successfully carry out – and report on – their procurement activity. The public sector continued to work with businesses and organisations across Scotland through contracting opportunities, while communities of all kinds continued to benefit from the spend resulting from such opportunities.

These successes do not detract from the fact that there are areas where the Scottish Government and the wider public sector could be doing better. In particular, the proportion of spend in Scotland with SMEs dropped notably during the year. While the evidence suggests that this was at least partly connected to the circumstances of the pandemic and also to wider changes in the profile of organisations in receipt of spend, the public sector must strive to ensure that SME access to public contracts remains a high priority.

Similarly, real progress must also be made in enabling more third sector organisations and supported businesses to engage with, and benefit from, public contracting opportunities. Third sector organisations are well-placed to help the Scottish public sector to deliver economic growth in a manner that is good for businesses and their employees, good for places and communities, good for society, and open and connected – and more work needs to be done to facilitate their involvement in public sector contracts.

We must also do more to promote innovation in our procurement processes, to help support sustainable and inclusive growth. Although budgetary challenges have clearly limited progress in this area, it is important to learn from the public bodies that have embedded innovative thinking into their everyday work – and to support other bodies to do the same.

The Scottish Government's response to the two key pieces of research conducted during the reporting year, as outlined in Chapter Three, show that the Scottish Government is listening to the wider public sector and to its suppliers. The organisation will continue to expand the evidence base around the effectiveness and impact of public procurement policies and practices across Scotland. By striving to improve our understanding of where the public sector is doing well and where it can do better, public bodies will become better-equipped to drive sustainable and inclusive economic growth in the post-pandemic era.

This report has reflected on the importance of sustainability in public procurement, and the steps that public bodies took to embed sustainability into everyday ways of working during the year. More recently, this commitment to using sustainable procurement to deliver positive outcomes for the people of Scotland was reflected in the Scottish Government's [seven public procurement priorities for 2021 to 2024](#).

To realise our ambition of using public procurement to facilitate our economic recovery, the Scottish Government recently initiated a new programme of work known as 'A Plan for the Future'. The aim is to strengthen the role of procurement as an enabler to economic recovery and move Scottish public procurement to the next level of maturity. In our next report, which will focus on the 2021 to 2022 reporting period, we will demonstrate how public bodies continued to use procurement as a means of driving economic growth by engaging with a range of businesses and organisations as we continued to emerge from the pandemic.

**Appendix 1:**

List of the 120 public bodies<sup>23</sup> submitting an annual procurement report on time for analysis

<b>Public body</b>
Aberdeen City Council
Aberdeenshire Council
Abertay University
Accountant in Bankruptcy
Advanced Procurement for Universities and Colleges (APUC)
Almond Housing Association
Argyll and Bute Council
Atrium Homes
Ayrshire College
Ayrshire Housing Association
Caledonian Maritime Assets Limited
Cassiltoun Housing Association
City of Glasgow College
Clackmannanshire Council
Clyde Valley Group
Comhairle nan Eilean Siar
Crown Office and Procurator Fiscal Service
David Macbrayne Limited
Disclosure Scotland
Dumfries and Galloway Council
Dumfries and Galloway NHS Board
Dundee and Angus College
Dundee City Council
East Ayrshire Council
East Dunbartonshire Council
East Lothian Council
East Renfrewshire Council
Edinburgh City Council

<sup>23</sup> By 'public bodies' we mean all organisations which are subject to public procurement laws. This includes central government (and other significant bodies), local government, universities and colleges, health bodies and registered social landlords.

<b>Public body</b>
Edinburgh College
Edinburgh Napier University
Education Scotland
Eildon Housing Association
Falkirk Council
Fife College
Fife Council
Forestry and Land Scotland
Forth Valley College
Glasgow Caledonian University
Glasgow City Council
Glasgow Clyde College
Glasgow Kelvin College
Heriot-Watt University
Highland Council
Highlands and Islands Airports Limited
Highlands and Islands Enterprise
Hillcrest Homes
Historic Environment Scotland
Inverclyde Council
Kingdom Housing Association
Lochalsh and Skye Housing Association
Manor Estate Housing Association
Midlothian Council
Moray Council
National Records of Scotland
New College Lanarkshire
NHS 24
NHS Ayrshire and Arran
NHS Borders
NHS Education for Scotland
NHS Forth Valley
NHS Golden Jubilee

<b>Public body</b>
NHS Grampian
NHS Greater Glasgow and Clyde
NHS Highland
NHS Lanarkshire
NHS Lothian
NHS National Services Scotland
NHS NSS-National Procurement
NHS Shetland
NHS Tayside
North Ayrshire Council
North East Scotland College
North Lanarkshire Council
Orkney Islands Council
Perth and Kinross Council
Police Scotland
Queen Margaret University
Registers of Scotland
Renfrewshire Council
River Clyde Homes
Robert Gordon University
Scotland Excel
Scotland's Rural College (SRUC)
Scottish Ambulance Service
Scottish Borders Council
Scottish Borders Housing Association
Scottish Canals
Scottish Children's Reporter Administration
Scottish Courts and Tribunal Service
Scottish Enterprise
Scottish Environment Protection Agency
Scottish Fire and Rescue
Scottish Government
Scottish Parliament

<b>Public body</b>
Scottish Prison Service
Scottish Public Pensions Agency
Scottish Qualifications Authority
Scottish Social Services Council
Shettleston Housing Association
Skills Development Scotland
South Ayrshire Council
South Lanarkshire Council
Sport Scotland
Stirling Council
Strathclyde Partnership for Transport
The Care Inspectorate
The State Hospitals Board for Scotland
The University of Edinburgh
Transport Scotland
University of Aberdeen
University of Dundee
University of Highlands and Islands
University of Stirling
University of Strathclyde
University of West of Scotland
Visit Scotland
West College Scotland
West Dunbartonshire Council
West Lothian Council
West of Scotland Housing Association



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The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-80525-402-7 (web only)

Published by The Scottish Government, January 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS1208482 (01/23)

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