



Scottish Government
Riaghaltas na h-Alba
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Scottish Government Procurement strategy

January 2017 To March 2019

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Ministerial foreword

We have a clear vision in Scotland – to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The public sector spends around £11 billion a year buying goods, services and works. This means that public procurement is significant in helping to support inclusive growth. It has the potential to deliver significant efficiency and value-for-money improvements and done well, can improve access to public contracts for suppliers. Increasingly, buyers are working creatively to deliver broader social, environmental and economic benefits by making sure sustainability is firmly established in their work.

Unlocking these potential benefits from procurement can help us foster jobs and growth, encourage innovation, and boost training and apprenticeship opportunities. And good procurement practice can and should play a key role in helping small and medium-sized enterprises (SMEs), third-sector organisations and supported businesses compete effectively for contracts.

This strategy sets out how we will use procurement to support our commitment to increasing sustainable economic growth, and to deliver significant benefits for the people and communities we serve.

Throughout the life of this strategy we will review and improve upon it, and we will publish in an annual report our performance in delivering it.

Derek Mackay
Cabinet Secretary for Finance and Constitution

1. Introduction

This document sets out our procurement strategy for 2017 to 2019. Our priorities for the strategy come from Scotland's economic strategy and the Scotland Performs framework. We will review this Procurement Strategy every year to reflect the Programme for Government and any other priorities for public procurement in Scotland.

Examples of how our procurement activities have contributed to the two pillars of Scotland's economic strategy – competitiveness and tackling inequality – are contained in case studies within this document. Our key priorities for 2017/2018 are outlined in section 4.

Our involvement in public procurement (arranging paying for goods, services and works to benefit the public) is far broader than meeting our own requirements. By works contracts, we mean those contracts mostly associated with the construction industry.

As well as procuring goods and services on behalf of Scottish Ministers, we also procure for the public sector and other organisations in Scotland. We provide a range of procurement support to Scottish Government agencies and non-departmental public bodies (NDPBs). In doing so, we work with the public sector, the third sector (supported businesses, social firms, voluntary and charity organisations), trade unions, businesses and communities, and other key stakeholders (people with an interest in our work) to help deliver the economic strategy.

We fund a range of eCommerce products (systems which allow contracting to be carried out electronically) for use by public sector organisations including:

- the Public Contracts Scotland (PCS) national advertising portal;
- an e-tendering service to allow suppliers to send tenders in an electronic format; and
- a purchase-to-pay facility which automates the buying process from identification of a need through to purchasing and payment.

We are also responsible for procurement policy and legislation in Scotland and are involved in a range of cross-sector groups which:

- work jointly on developing procurement policy;
- identify best practice in public procurement;
- develop the capability and skills of buyers and others involved in procurement;
- increase collaboration between organisations; and
- increase the use of eCommerce across the public sector.

Work to improve public procurement in Scotland is truly collaborative, and involves the private and third sectors. Since 2006, there has been a programme of activity across the public sector to help improve the procurement process. This work is overseen by:

- the Public Procurement Group (PPG), which is responsible for delivering our vision for public procurement, making sure that public procurement in Scotland stays on course to deliver benefits, and that obstacles to this are removed or reduced; and
- the Procurement Supply Group (PSG), which provides an ongoing framework for discussion about, and influence on, public procurement practices as they affect suppliers. In particular, small and medium-sized enterprises (SMEs), the third sector and supported businesses, and trade unions.

More information on these groups is available on our **website**.

2. Our vision, mission and role

Our Scottish Procurement and Commercial Directorate (SPCD) provides a range of commercial, property, programme management and project management services within the Scottish Government and to the public sector in Scotland.

Our vision

To be the world leaders in innovative public procurement, asset management with project assurance, enabling the best outcomes for Scotland.

Our mission

Public procurement in Scotland is business friendly, socially responsible and improves public services for a prosperous, fairer and more sustainable Scotland.

Our role

We lead and deliver public procurement in Scotland at a national, central government and Scottish Government level. Our work focuses on the following key areas.

- Delivering savings, benefits and efficiencies through procurement and contracting.
- Facilitating procurement and commercial activities through:
 - procurement and commercial policy and advice;
 - construction procurement policy and advice;
 - property, asset and estate management advice;
 - eCommerce, and best practice tools and templates;
 - developing and supporting our staff;
 - reviewing how we manage projects; and
 - continuously aiming to improve our performance.

3. Contracting activity

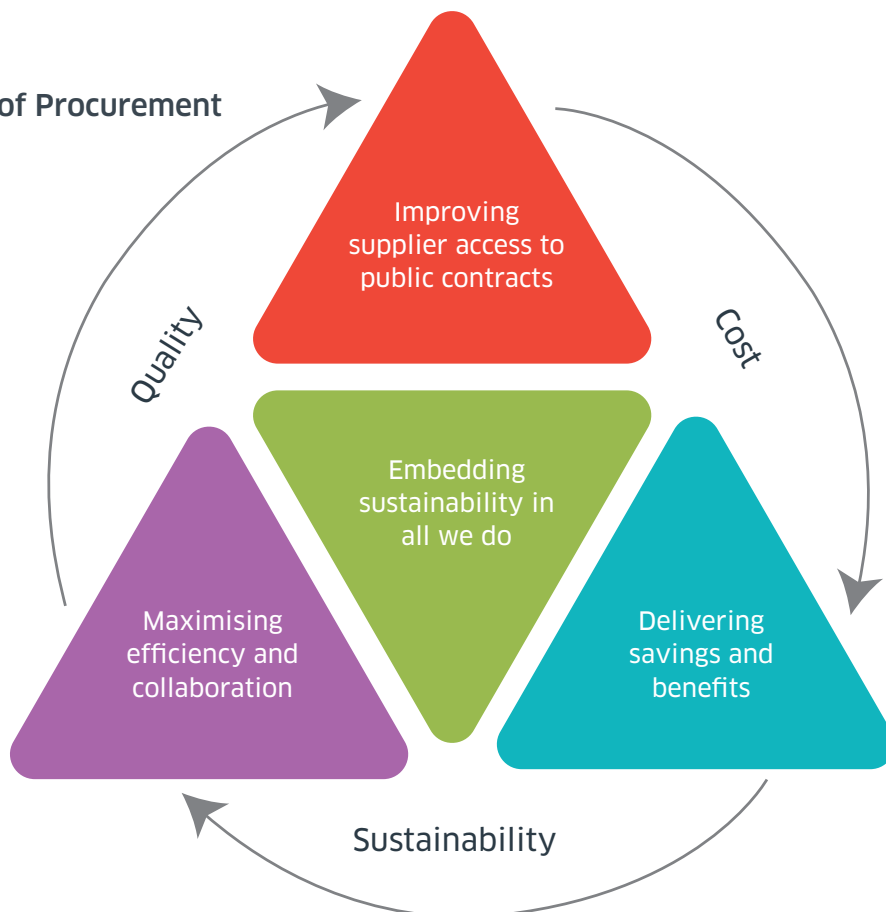
Our approach to how we buy goods, services and works incorporates our priorities and the Scottish Model of Procurement. We have developed this approach with our public sector partners and the procurement centres of expertise, and through significant involvement with the business and third sector communities.

This ‘risk and opportunity’ based approach allows us to focus our resources on areas which are most likely to lead to benefits such as financial savings, jobs, training and

reduced carbon emissions and waste, while encouraging innovation. It will also help us to focus on how national and organisational outcomes may be supported through the procurement process.

For each procurement project valued at £50,000 or over, we develop an individual sourcing strategy. These strategies are based on and supported by the **sustainable procurement tools** such as **sustainability test** and the output of the **Sustainable Public Procurement Prioritisation Tool (SPPPT)**.

Figure 1
Scottish Model of Procurement



In-line with statutory guidance under the Procurement Reform (Scotland) Act 2014 on the sustainable procurement duty, these tools provide a structured approach to assessing spending categories. They help to identify opportunities to include economic, social, and environmental considerations in contracts, and are available for use across the whole of the Scottish public sector.

Our contract activity covers three main areas of spending.

- National collaborative frameworks and contracts**
 We provide framework agreements and contracts for commonly purchased goods and services which are used across the public sector. These are open to all Scottish public sector organisations as well as charities registered in Scotland.

- Sectoral collaborative frameworks, contracts and support for the central government family of organisations**
 For example, agencies and non-departmental public bodies.
- Contracts we let for Scottish Government use only**

These areas are managed through the following groups:

- Collaborative Information and Communication Technology;
- Collaborative Corporate and Professional Services;
- Collaborative Utilities and Facilities Management;
- Central Government Procurement Shared Service (CGPSS);
- Scottish Government Procurement;
- Scottish Government More Powers Procurement; and
- Delegated Purchasing.

**Figure 2
Procurement teams**



We have a scheme of 'delegated purchasing authority' in place to make sure that buyers have the necessary skills, qualifications and experience to place contracts. Our staff are not allowed to enter into a contract without written authority from our Director of Procurement.

Our contracts deliver a wide range of economic, social and environmental benefits as well as significant financial savings for the public sector. In the financial year 2015/2016 our portfolio of contracts was valued at over £925 million and delivered savings of more than £133 million. You can see details of the contracts we have placed on the **Public Contracts Scotland** website.

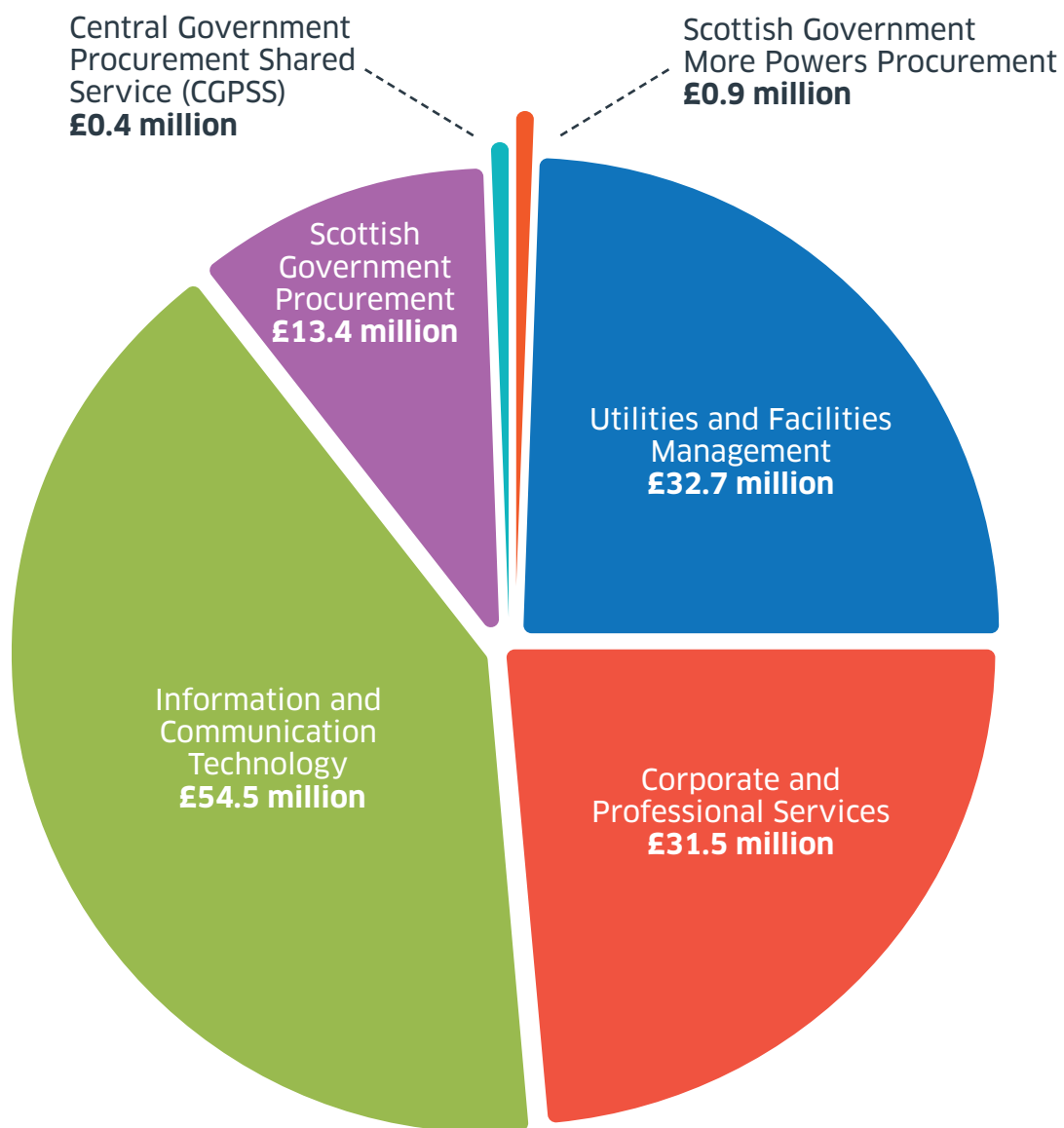


Figure 3
Procurement led by us - savings 2015/16

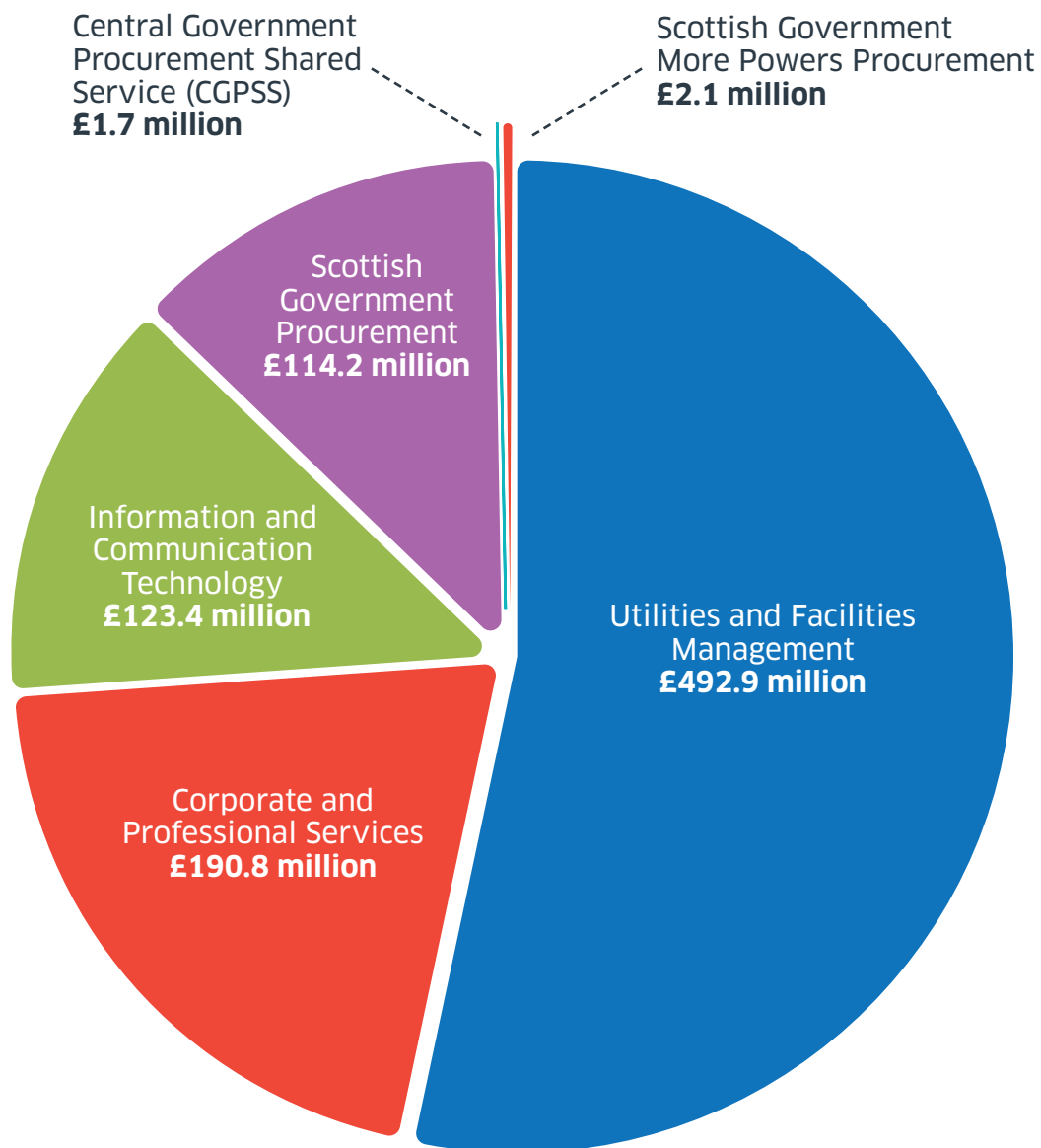


Figure 4
Procurement led by us – spending by portfolio 2015/16

Collaborative national and sectoral frameworks and contracts

Collaborative procurement is about achieving value for money for the Scottish public sector by working in partnership with buying organisations, centres of expertise (CoEs) and suppliers.

The contracts and frameworks placed by our buying teams have a combined value

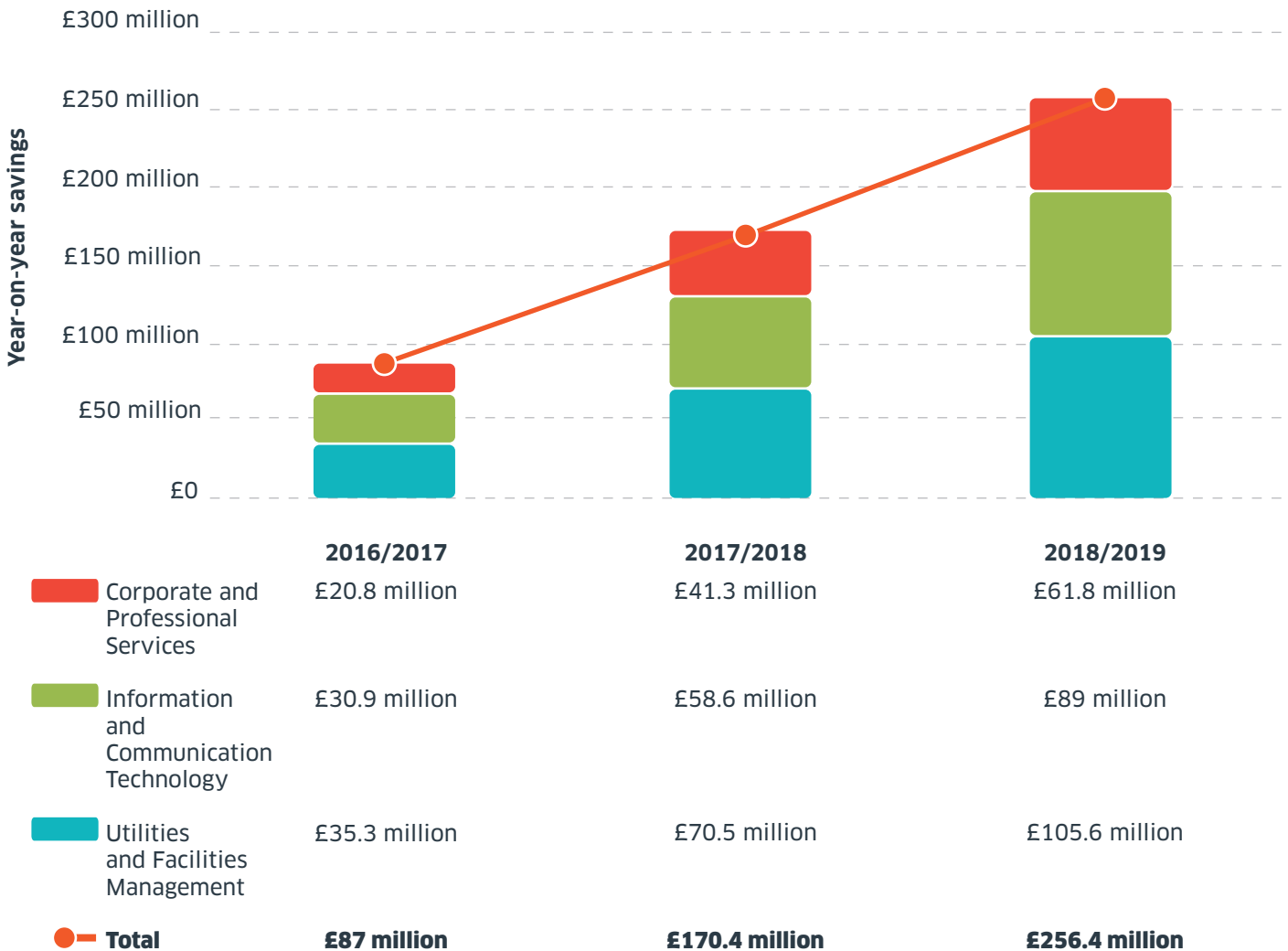
of over £800 million per year. They can be used by public organisations across Scotland and cover a range of goods and services. You can find details of our current collaborative agreements on our [website](#).

Over the last eight years, collaborative procurement led by us has delivered over £615 million in savings through buying common goods and services on behalf of the public sector.

Collaborative contracts (both current and new) in the three-year period 2016/2017 to 2018/2019 are expected to deliver value-for-

money savings of £256 million against a total spend of £2,472 million. This is broken down by portfolio as follows.

Figure 5
Collaborative procurement led by us – forecast savings



Forward plan of our collaborative contracts

We publish a **forward plan** of possible collaborative opportunities from public sector buying organisations in Scotland, including ourselves, which may be advertised over the next 12 to 18 months.

While most of these projects involve re-competing existing contracts and frameworks, there are some new initiatives to meet ministerial policy objectives, most notably the waste-brokerage contracts.

Central Government Procurement Shared Service (CGPSS)

Introduced in April 2014, CGPSS provides both operational and strategic support in all aspects of procurement to make sure organisations get the most value and best performance from their spend with contractors, manage risk, and keep to changing legislation and policy.

The Scottish Government Procurement Team

The Scottish Government Procurement Team provides support for all our directorates. The team supports key ministerial policies which together are worth over £114 million per year.

The Scottish Government More Powers Implementation Team

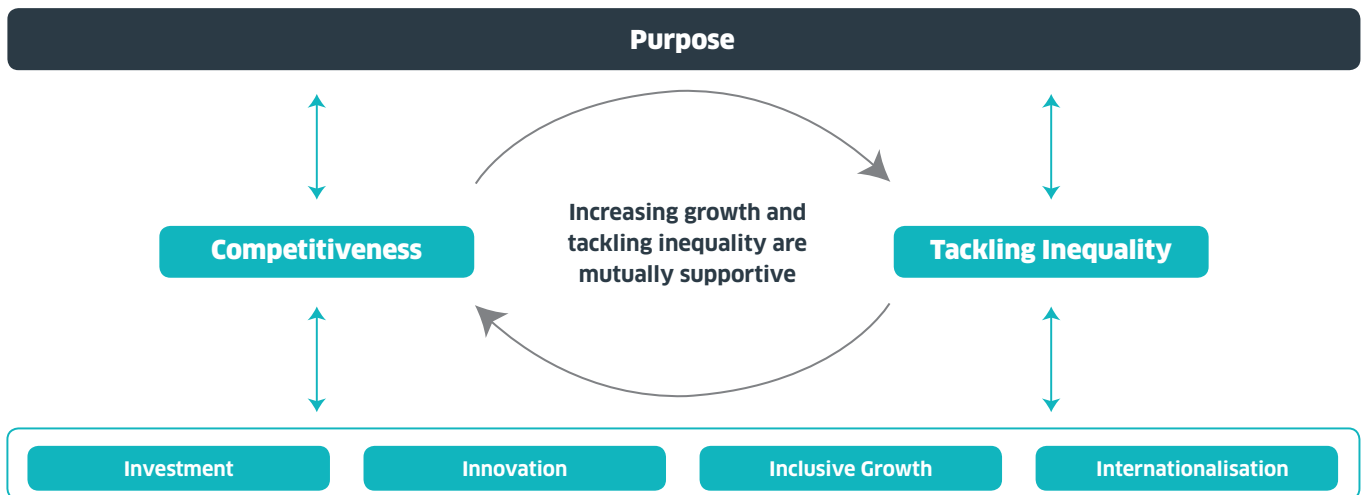
As more power passes to us under the Scotland Act 2016, commercial arrangements for services supporting this are being put in place. At the time of writing (2016) these services are provided by several UK Government departments, for example the Department for Work and Pensions (DWP), the Crown Estate, and the Department for Business, Energy and Industrial Strategy.

4. Key priorities

We help to deliver Scotland’s economic strategy and the Programme for Government through what we procure, how we procure and through the wider economic and social considerations included in our contracts.

Our priorities are defined in Scotland’s Economic Strategy as: investment, innovation, inclusive growth and internationalisation. We will design our contract and procurement process to contribute to these priorities as far as is practical, in a way that achieves value for money and makes contracts accessible to businesses (especially SMEs), the third sector and supported businesses.

Figure 6
Scotland’s Economic Framework



We have identified a range of key opportunities to support our priorities in forthcoming projects. We have listed these under the headings which we expect they will principally contribute to, although we expect that most will also deliver benefits against several of our priorities. These include the following:

Investment

Procurement underpins our investment in people, infrastructure and assets. We use well designed procurement of goods, services and works as a lever for business growth and innovation. It is also used to achieve good quality training and employment through our contracts. For example, through the use of community benefit clauses and our framework with supported businesses.

Project: 100% superfast broadband

As part of our **Programme for Government 2016/17**, we are investing in the digital infrastructure that's needed to deliver superfast broadband to all premises across Scotland. Building on the success of our existing broadband investment programme, this project aims to support a sustainable Scottish economy, with high-speed broadband extending to every corner of the country.

The main ways of achieving positive sustainability outcomes for this project relate to climate change, biodiversity, communities, employment, and skills and training. We have begun discussions with suppliers and stakeholders for this project.

Case Study – Tackling inequalities, promoting fair employment, creating training opportunities and supporting economic growth



The Home Energy Efficiency Programme (HEEPS) contract is managed by Warmworks, a joint venture that includes a Scottish Contractor, a Scottish charity and a social enterprise. This contract installs insulation, heating and small scale power generation in the homes of households which are in fuel poverty. Fuel poverty is where people cannot afford to keep their homes adequately heated.

Warmworks has committed to achieving the community benefit targets for targeted recruitment and training, as well as advertising opportunities for subcontractors on Public Contract Scotland. To provide opportunities for local subcontractors, the contract has been split into six regional delivery areas.

Warmworks has also committed to our 'workforce matters' policies, including paying all staff (including subcontractors) the Scottish Living Wage.



Case Study – Tackling inequalities, reducing carbon emissions and creating jobs and training opportunities

Through our utilities procurement team our suppliers are:

- working in partnership with three Community Energy Savings Programmes (CESPs) on 500 social housing properties in and around the Greater Glasgow area, investing a total of £7.3 million in CESP schemes across Scotland;
- delivering Carbon Emission Reduction Target (CERT) insulation measures, making sure that housing in Scotland benefits from reduced carbon dioxide emissions;
- supporting vulnerable customers who are in fuel poverty by providing grants to help towards energy bills and supporting voluntary organisations to provide fuel debt services; and
- working with ourselves to plan apprenticeships and college courses for renewable-energy engineers.

Inclusive growth

Scotland aims to be:

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

Scotland’s Economic Strategy, 2015

Public procurement contributes to inclusive growth both through what we buy and how we buy it. This can include:

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

Key forthcoming projects which will contribute to this have been identified as:

- procurements relating to powers transferred by the Scotland Act 2016; and
- our frameworks for interpreting services and for publishing, print, design and associated services.

Project: More powers

The **Scotland Act 2016** transfers a wide range of powers to Scottish Ministers. These powers and the supporting commercial arrangements are important as they underpin a number of manifesto commitments and some of the aims in our economic strategy and Scotland’s National Purpose. We will use to good effect the additional powers for social security and employment support. This will include the use of contracting and commissioning models that enable social enterprises to work collaboratively, adopt a person centred approach, and deliver highly effective employment focused interventions.

The transitional Work First Scotland contracts will deliver improved, high quality employment support to disabled people and those with long-term health conditions who want to work but need help to get and remain in employment. As well as improving the quality of the employment support service, we have taken the opportunity to redesign how we deliver this support and to remove wasteful processes. Four contracts have so far been awarded to support this project and over the next two years, we will be awarding over 30 more.

Project: Interpreting services

This contract delivers spoken language interpreting services, document transcriptions and translation. It is used by many parts of government in Scotland, including the Scottish Courts and Tribunal Service, to allow people who have little understanding of English to access public services in their own language. As a result, it has a significant beneficial effect on communities and for people who do not have English as their first language.

Under the current contract, around 25% of money spent is invested in people and skills and in attracting new entrants to the interpreting industry, helping to improve the quality, capacity and capability of the industry. We will continue to use this service to encourage new entrants to the interpreting industry.

We have also identified opportunities to:

- improve working practices, including pay and conditions;
- reinforce health and safety; and
- consider how the contract could bring these services to a wider range of people while keeping data security up to date.

We will achieve these aims by agreeing with policy areas which requirements we will target during the procurement competition. We will also make sure there are appropriate and effective terms and conditions through contract and supplier management processes.

Project: Publishing, print, design and associated services

This contract delivers services associated with publishing, design and printing. It is used to help public sector organisations communicate their policies to the public. The current supplier has gained accreditation in Scotland from the Living Wage Foundation, and in our contract management reviews (where we monitor performance against a contract) we have made sure they continue to keep to their public-sector equality duties.

Through contract management, we have identified scope to:

- increase targeted recruitment and training (for example apprenticeships);
- enhance community engagement through schools; and
- increase partnerships with third sector suppliers and supported businesses.

Innovation

Public procurement has a key role to play in supporting and promoting innovation in the way public sector services are provided in Scotland. The Programme for Government 2016/2017 includes a commitment to establish a cross sector Procurement Innovation Reference Group led by us. This is intended to give business innovation an extra boost by improving how these types of projects are co-ordinated.

The Public Contracts (Scotland) Regulations 2015 (which came into effect in April 2016) make provision for innovation partnerships. The innovation partnership process is designed to allow buyers to approach the market for the design and development of innovative solutions to how public services are delivered in future. We intend to pilot this during the course of 2017/2018.



Case Study – Creating innovative solutions, protecting the environment, promoting fair employment and saving money

Our procurement activity is already recognised for its innovation. In March 2016 we set up a new framework for Non-Domestic Energy Efficiency (NDEE), with an estimated value of up to £300 million over four years.

The NDEE framework is innovative in the way it covers multiple and diverse renewable energy technologies and energy efficiency under one contract. This allows the technologies to be managed as a whole, and to deliver more than the sum of their parts.

We involved industry extensively when designing this unique framework and used the sustainable procurement tools to help develop the procurement strategy. The framework covers environmental, community benefit and fair work considerations. Expected benefits include:

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

By using the key performance indicators developed specifically for this framework, public organisations will be able to track and report progress across a range of environmental and socio economic outcomes.

Our Digital Directorate has set up a ‘CivTech’ pilot to solve public service problems in an innovative way. Rather than relying on established methods, the project involves public organisations setting civic challenges which smaller businesses are encouraged to tackle using innovative solutions.

Public procurement will continue to support innovative and agile ways of working to deliver digital public services and public service reform. This commitment will be reflected in the Scottish Government’s refreshed digital strategy to be published in early 2017.

Internationalisation

Our involvement with suppliers and the supporting supply chains is aimed at developing their potential to bid for public contracts, whether they are advertised in Scotland, the UK or further afield.

We have been named as a **subnational pioneer country**, as part of an international initiative under the **Open Government Partnership**. This is aimed at government and civil society working together to develop and implement ambitious open government reforms including in public procurement.

In 2015, we published our **Open Data Strategy** which sets out a number of national actions to help support public sector organisations as they put in place their own open data publication plans. To support our open data strategy, we will develop an **open contracting** strategy and publish procurement information in a way which makes sure that the data (information) we publish is in a format that is useful to all audiences.

To achieve our vision of being ‘world leaders in innovative public procurement’, we work with UK, European and global networks to set standards for and share best practice. For example, Scotland is a member of the **Public Procurement Network** which covers the EU and countries seeking accession to the EU. The network provides a mechanism for sharing good practice and an informal problem solving mechanism in the event of cross border disputes regarding market access.

Support for the public sector

We provide a range of support and guidance to the public sector to help it contribute to national outcomes. This guidance includes:

- **policy notes and information** covering a wide range of policy and legal considerations;
- **sustainable procurement tools** which make sure sustainability is an established part of our procurement activity; and
- best practice guidance in the form of the **procurement journey**.

We will continue to develop this guidance to keep it in line with developing policy, law and best practice.

The **Procurement People of Today and Leaders of Tomorrow** programme aims to improve procurement and commercial skills. Working across the Scottish public sector, we are supporting a ‘joined up’ approach to developing procurement professionals and existing and future talent through identified career paths. The public procurement profession in Scotland can use a procurement competency framework which helps identify opportunities for continuous professional development.

eCommerce brings efficiencies and savings to public organisations by reducing the time it takes to get the goods, services and works needed to deliver public services. It brings benefits to suppliers, from providing access to contract opportunities to more efficient invoice and payment processes. It also allows us to be more open about the availability of information to do with procurement. We also provide a free to access portal, **Public Contracts Scotland (PCS)**, where we publish contract notices for regulated procurements. Over 60,000 users are registered on PCS.

How our procurement activity contributes to value for money

We aim to achieve value for money by working closely with the people who use the goods and services we buy, to help understand their requirements. We aim to do this by:

- understanding the commercial markets we work in;
- awarding contracts on the basis of fair, open and transparent competition which is in proportion to the contract in question and which keeps to our legal obligations; and
- making sure that our contracts are effective and managed efficiently.

We recognise that value for money is rarely achieved by simply accepting the lowest priced bid, which is why procurement legislation in Scotland has now removed the possibility of Official Journal of the European Union (OJEU) level public contracts being awarded only on the basis of price.

We will also encourage continuous improvement in organisations by encouraging them to take part in the **Procurement and Commercial Improvement Programme (PCIP)**. This helps them to measure and report on

their levels of procurement delivery and is based around a series of set questions and other evaluation methods. Organisations can then develop an action plan to achieve maximum value for money, and improve their ability, when buying goods, services and works.

Keeping to our general and sustainable procurement duties

We value Scotland's trading relationships with other nations and believe that fair competition is good for our economic growth. We aim to fully keep to our legal obligations and to treat all suppliers fairly, equally and without discrimination. To achieve this, only staff with appropriate training and experience are authorised to oversee regulated procurements. Our procurement staff usually have, or are studying towards, professional qualifications offered by the Chartered Institute of Purchasing and Supply. They also receive wide-ranging policy and best-practice guidance.

We are committed to making public procurement open and accessible to businesses, especially SMEs, the third sector and supported businesses. All businesses supplying Scottish public sector organisations will be able to take advantage of easier access to contract opportunities in Scotland. We advertise our contract opportunities on PCS and in the Official Journal of the European Union where required. We also publish our contract register on PCS.



Case Study – SMEs winning contracts, reducing waste and creating training opportunities

There are 15 collaborative ICT agreements which include 25 SMEs as direct suppliers, with many more in the supply chain. These agreements provide efficient access to digital technology solutions, and make significant savings of around £50 million per year. Over 300 organisations have used the frameworks.

A national [DPS ICT Procurement portfolio plan](#) aligned to the Scotland's Digital Future – Delivery of Public Services (DPS) strategy has been published. The ICT agreements also deliver a number of sustainable benefits:

- making [ICT devices](#) sustainable (for example laptops, desktops and mobile devices).
- [digital conferencing services](#) and hosting services supporting business efficiency and helping to reduce the negative impact of travel on the environment.
- our '[tablet client devices framework](#)' has been particularly successful, with over 2,500 teachers so far receiving free training in how to use tablets for teaching and learning in the classroom.

Sustainable public procurement aims to make the best use of public money, helping us to achieve our overall purpose and aims. The sustainable procurement duty requires that before we buy anything, we must think about how doing so would improve Scotland's social, environmental and economic wellbeing, with a particular focus on reducing inequality. It also means we must think about (and then design) our procurement processes in a way that encourages SMEs, third sector organisations and supported business to be involved and how we can use procurement to encourage innovation.

The detail of our approach to the sustainable procurement duty is contained in the [guidance](#) that we published in March 2016. This refers to the range of opportunities relating to the procurement process that help compliance with the sustainable procurement duty including:

- early market engagement;
- use of lots; and

- the option to reserve contracts for supported businesses.

The guidance also includes a chapter on community benefit requirements.

Keeping to our sustainable procurement duty should also help us to follow other legislation that places specific procurement requirements on us, such as:

- the [Equality Act 2010](#);
- the [Equality Act 2010 \(Specific Duties\) \(Scotland\) Regulations 2012](#);
- the [Climate Change \(Scotland\) Act 2009](#); and
- the [Climate Change \(Duties of Public Bodies: Reporting Requirements\) \(Scotland\) Order 2015](#).

Case Study – Making things last



In support of our [circular economy strategy](#), ‘Making Things Last’, our national Information and Communications Technology (ICT) frameworks emphasise extending the useful life of devices through reusing components and devices.

We will reduce packaging waste by using innovative sustainable packaging materials and reusable crate systems, and all packaging can be returned to the supplier.

Contractors also have systems and processes in place to keep to International Labour Organisation conventions.

We consider sustainability early in the procurement process, which allows us to:

- identify risks and opportunities before commissioning suppliers;
- understand possible sustainability outcomes;
- make sure that we are engaging with the appropriate stakeholders;
- make sure that we make the most of our ability to influence these outcomes; and
- provide support to SMEs, third sector and supported businesses bidding for public contracts, for example from the Supplier Development Programme.

This then helps us to develop individual sourcing strategies for our contracts, in which we can firmly establish sustainability. For example:

- to include employment and training requirements;
- to include energy efficient product specifications;
- to open up opportunities in the supply chain;
- to access green electricity; and
- provide as many opportunities as possible for SMEs, the third sector and supported businesses to take part in the procurement process.

5. Policies

The £11 billion that the public sector in Scotland spends buying goods, services and works each year is a significant sum. It is right that people expect this money to be spent in a way which delivers the maximum possible benefit to society as a whole.

Our aim is to make sure that this happens, while also carrying out procurement that is legal, transparent and fair, and that we design our procurement policies with that aim in mind.

These policies shape and support the procurement activity of public organisations across Scotland in a number of different ways:

- they can be reflected in our approach to legislation. For example, Scottish Ministers are responsible for giving effect to EU procurement directives in Scots law. When the 2014 EU procurement directives were published, and after consulting the general public and stakeholders (people with an interest in our work) on the options available to us, we took the opportunity to reflect a number of our policies in law.
- they can also be reflected in guidance we produce for public purchasers – a recent major example of this would be our approach to drafting statutory guidance on fair work issues when procuring goods, services and works.

In this section, we set out our general policies on a number of key areas, together with a statement on how we will monitor these over the period of this strategy.

5.1 Our policy on applying community benefit requirements in our contracts

Background

A community benefit requirement is defined in the Procurement Reform (Scotland) Act 2014 as:

a contractual requirement imposed by a contracting authority –

- (a) relating to –
 - (i) training and recruitment, or
 - (ii) the availability of sub-contracting opportunities, or
- (b) which is otherwise intended to improve the economic, social or environmental wellbeing of the authority’s area in a way additional to the main purpose of the contract in which the requirement is included.

The delivery of community benefits through procurement is in line with Scotland’s economic strategy:

‘Greater participation (in the labour market) increases an economy’s potential output and is essential to supporting sustainable economic growth. Bringing more people into the labour market is key to tackling poverty, inequality and social deprivation and improving health and wellbeing.’

And ‘A plan for Scotland: The Scottish Government’s Programme for Scotland 2016/2017’:

‘The Scotland we want to see has a resilient and growing economy, an education system that enables true equality of opportunity for all, public services that are efficient, fair, flexible and valued, and a vibrant, open and inclusive cultural life.’

It also contributes to our overall purpose.

Our aim, to deliver the maximum social and economic benefit from our spending decisions, is consistent with our general and sustainable procurement duties and the **Scottish Model of Procurement**. Through community benefits we have achieved a range of recruitment and training and opportunities for SMEs, the third sector and supported businesses. We will continue to use them wherever possible to achieve this, with a particular emphasis on targeting training and employment opportunities so that the policy contributes to inclusive growth.

Our policy

For many years our policy with respect to community benefits has been best summed up by the statement:

‘The first question that we should ask when developing any contract specification should be: “Can we include a Community Benefit clause?”’

John Swinney, March 2010

If there is an opportunity to benefit the community, we will include appropriate requirements in public contracts and framework agreements. We will consider these opportunities at the development phase of all regulated procurements (currently £50,000 and above for goods and services, £2 million and above for works).

If appropriate, we will look at community benefits in one of two ways.

1. **Mandatory or contractual** – We will ask all bidders to deliver specific requirements (for example, targeted training and recruitment and opportunities in the supply chain) which form part of the contract specification. As the requirement is the same for all bidders, proposals will form part of the tender evaluation and may be scored.

We will use this approach if:

- the contract is high value;
- is of medium to long-term; and
- where it is clear that specifying an outcome that would benefit the community and which could be delivered under the contract, could add to the contract's social or economic effect.

2. **Voluntary** – We will ask bidders to consider what community benefits they can offer as part of their proposals, but we will not score this part of the bid and it will not form any part of the tender evaluation. However, if a bid has been accepted, any associated offer of community benefits will be included in the contract to be signed by the bidder.

We will use this method if it might gain extra value from the contract but where it is not appropriate to make providing specific community benefits a mandatory requirement for all bidders. We will make sure that where we ask that voluntary community benefits are offered, they do not place an undue burden on bidders.

Monitoring

If a regulated contract includes a commitment relating to community benefits, the contract award notice will record what the contractor has to deliver. Overseeing delivery will be made part of the formal contract management arrangements and we will keep a record of the benefits delivered.

For contracts of £4 million or above, in line with our duties under the **Procurement Reform (Scotland) Act 2014**, and for all contracts where the community benefit is made mandatory, we will set out details of the required community benefit in the contract notice. If we do not think it is appropriate to include a community benefit clause, the contract notice will include our reasons why.

We will collect information about delivered benefits and we will report on this in our formal report of our performance against this strategy.

Further information

More information on **community benefits** is available on our website.

5.2 Our policy on consulting and involving those affected by our procurements

Background

We consult with and involve stakeholders (people with an interest in our work) in a range of ways. Suppliers, non-governmental organisations and the public sector are central to our procurement governance structure.

Representatives from the private, third sector and trade unions are represented on the Procurement Supply Group and the public sector is represented on the Public Procurement Group. We will be holding workshops each year, bringing together a range of representatives from all our stakeholder groups.

We have developed our existing policy and legal frameworks through extensive involvement with stakeholders, including the public sector, the private and third sectors, trade unions, non-governmental organisations and individuals.

Our policy

Where appropriate, we work with users, potential suppliers and others to help us design procurements and the route each procurement will take. This may vary from 'light touch' market research to 'engagement days' for suppliers, or the design and piloting of services. Individual procurements are in response to an identified need and we identify and involve the relevant stakeholders as appropriate. For example, for national contracts, we involve service users through 'user intelligence groups', which are made up of public sector representatives. For other contracts, we will tailor our involvement with service users to the particular circumstances.

Monitoring

We will record any complaints about failure to consult, and our report on our performance will look at these. The report will include information about any conclusions we reach and any measures taken in response to complaints.

5.3 Our policy on paying the Living Wage to people involved in delivering our contracts

Background

We strongly believe that fair work practices and paying the Living Wage can have a positive effect on people's lives and can help to create a fairer and more equal society.

We are committed to promoting the Living Wage and have taken every opportunity to do so when buying goods, services and works. In early February 2015, we published a Scottish Procurement Policy Note on how and when employment practices and workforce matters, including paying the Living Wage, could and should be considered during a public procurement exercise. This was followed in October 2015 by the publication of **statutory guidance** which looked at fair work practices, including the Living Wage, in procurement procedures. We were the first government in the UK to take this step.

We, the Scottish Government, became an accredited Living Wage employer on 1 June 2015. This is a clear commitment to pay at least the Living Wage for all staff we directly employ and for those who work on our contracts by actively encouraging employers to pay the Living Wage as part of a package of fair work practice in all relevant contracts.

Case Study – Promoting fair employment and tackling inequalities



The Warmer Homes Scotland contract provides energy-efficiency measures for homes in vulnerable communities. The contract provides that there are fair working conditions, including the Living Wage, for those delivering the contract, and those involved in the supply chain. It makes sure that our suppliers are providing jobs, training and work placements.

We have taken particular care to make sure all households, including those in more remote parts of the country, get the same level of service as those in urban areas.

Our policy

Our policy on paying the Living Wage to those who deliver our public contracts is influenced by our belief that those organisations which adopt fair work practices, including the Living Wage (for example those which have a diverse workforce and whose staff are well rewarded, well motivated, well led and who have appropriate opportunities for training and skills development), are likely to deliver a higher quality of service. A positive approach to fair work practices can have a positive effect on the quality of the services, goods and work delivered on our contracts. We also believe that if an employer pays the Living Wage they are more likely to be committed to fair work practices.

When putting in place this policy we have to consider statutory guidance on how and when fair work practices, including the Living Wage, can be part of a procurement process and how they can support improved productivity and economic growth as a key driver of service quality and contract delivery.

In practice, we consider this policy as early as possible in all our public procurement processes. This makes sure that, where it is relevant to how the contract is carried out, assessing a business's approach to fair employment, including the Living Wage, can be an important part of the procurement exercise.

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

- to what extent the quality of the delivery of the contract can be affected by those working on it; and

- if there is a risk that suppliers use unfair employment practices. This has mostly been in sectors where low pay is widespread and the Living Wage is not paid or where, for example, the inappropriate use of zero hours contracts might be used in delivering the contract.

An example of this was our approach to our catering tender and contract. All five bidders made commitments to paying staff the Scottish Living Wage as part of a broader package of proposals which showed a positive approach to fair work practices. In several cases, including the successful tender, this directly improved conditions for workers. In the new contract for water and waste-water billing services, the new provider not only committed to paying at least the Living Wage, but also signed the Scottish Business Pledge, committing themselves to creating lasting economic success, building sustainable growth that also achieves fairness, equality, opportunity and innovation.

Monitoring

If a commitment has been made in a tender to pay the Living Wage, we record this in the contract award notice, it will form part of the contract, and we will monitor it through our contract and supplier management processes.

Information on which of our contractors pay the Living Wage will be gathered centrally and we will include it in the annual report of our performance against this strategy.

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

Background

It is important that those bidding for our contracts are able to demonstrate that they are responsible contractors who keep to their legal duties, including duties relating to health and safety.

Current EU procurement legislation does not clearly include health and safety as part of the selection criteria which purchasers can use when deciding which suppliers to invite to bid. In recognition of the importance of health and safety, when drafting guidance to accompany the European Single Procurement Document we made sure that we gave public purchasers clear advice on how to take account of, and score, a supplier's health and safety record.

Our policy

It is a standard condition of our contracts that the contractor must keep to all laws that apply, all requirements of regulatory organisations, and good industry practice. This includes any relevant health and safety law. Also, whenever contractors' staff are on our premises, under the terms of our standard contracts they must keep to our own health and safety requirements.

Monitoring

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

5.5 Our policy on procuring fairly and ethically traded goods and services

Background

Scotland achieved Fair Trade Nation status in 2013 and was one of the first countries in the world to sign up to the UN Sustainable Development Goals. There is a commitment in our Programme for Government 2016/2017 to update the National Performance Framework to reflect this. In their current form, the sustainable procurement tools can be used to identify opportunities to consider ethical issues.

Our standard procurement procedures for regulated contracts involve assessing a bidder's suitability to be awarded the contract. This process includes considering whether the bidder has been convicted of certain offences or committed any acts of professional misconduct while running their business. You can find more detailed information about this in Scotland's European Single Procurement Document, in the [procurement journey](#).

Our policy

If fairly traded goods and services are available to meet our requirements, we will consider how best to promote them. For example, under our catering contract, a range of fair trade choices are available in all staff canteens, and our hospitality tea, coffee and sugar is accredited as fairly traded.

Our standard terms and conditions allow us to end a contract if the contractor or subcontractor fails to keep to their legal duties in the areas of environmental, social or employment law when carrying out that contract.

Monitoring

We will keep a central record of the value of fairly traded products bought or sold under our catering contract. Our annual report on this strategy will include a statement about the effectiveness of our selection procedures.

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

Background

While we do not procure food directly, we use our catering framework to achieve a range of benefits. For example, under our current contract requirement, our catering contractor already provides the following:

- All beef, lamb, pork (not including bacon), milk, cream, yoghurts, rolls, pastries, baked goods and speciality cheeses are Scottish;
- All fish is accredited by the Marine Stewardship Council (MSC);
- All eggs are free-range;.
- All milk is organic and Scottish;
- Chickens are from the UK, to keep to the Red Tractor assurance scheme and our Soil Association award;
- All hospitality tea, coffee and sugar is fair trade accredited;
- Coffee grounds are recycled as compost for customers to use; and
- Our catering service is accredited with the Soil Association's Food for Life catering mark.

Our catering contractor also works with local communities to provide work placements and is committed to paying its staff at least the Living Wage.

Our policy

We recognise food and drink as a key industry sector where major sustainability wins can be achieved. The procurement of food and catering services is a high ranking area because there are major social, economic and environmental impacts.

Our approach to our catering contract is to make sure that it keeps to all relevant Government policies on healthy eating and nutrition, promoting fresh and seasonal and local produce, and on fairly traded produce. Contracts must also meet the **UK Government's buying standards for food**.

These standards take account of a range of factors, including production, traceability, authenticity, origin, ethical trading, animal welfare, environmental standards, and health and waste. They are consistent with our 'Catering for Change; Buying food sustainably in the public sector' guidance issued in January 2011.

We also consider catering to be a service where fair employment practice is relevant to the quality of service provided. When bidders are competing for catering contracts, we will take into account whether they are committed to fair employment.

Monitoring

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

5.7 Our policy on paying invoices in 30 days or less to our contractors and sub-contractors

Background

We encourage prompt payment of invoices, both to and by our contractors and their subcontractors. Our most recent published accounts show that, in 2015 to 2016, 98.4% of valid invoices were paid in 10 days or less.

Our policy

It is a standard term of our contracts that we will pay valid invoices within 30 days. Also, any subcontract must contain a clause which says that subcontractors are paid within 30 days, and that this clause should apply through the supply chain. This condition must also make clear that if a subcontractor believes that invoices are not being paid within 30 days, they may raise the issue directly with us and do not have to raise it first with the supply chain.

While our standard terms and conditions say invoices should be paid within 30 days, we try to pay as many as possible within 10 days.

Monitoring

Through our contract management arrangements we will monitor complaints and take action if appropriate.

6. Annual procurement report

Under the Procurement Reform (Scotland) Act 2014 we have to prepare a procurement report each year. Our first report will cover the period 1 January 2017 to 31 March 2018.

It will include, as a minimum:

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

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

7. Strategy ownership and contact details

The owner of this strategy on behalf of the Scottish Government is Ainslie McLaughlin, our Director of Procurement and Commercial. The strategy covers the period 1 January 2017 to 31 March 2019 and will be reviewed at least once a year. We will publish any new versions on our website.



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