



# Analysis of the Impact and Value of the Sustainable Procurement Duty in Procurement: Final Report December 2020



**PUBLIC SERVICES AND GOVERNMENT**

Analysis of the Impact and Value of the Sustainable Procurement Duty in Procurement

Final Report

December 2020

Blake Stevenson Ltd

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# Chapter 1: Introduction and context

Blake Stevenson Ltd was commissioned by the Scottish Government to undertake analysis of the impact and value of the Sustainable Procurement Duty ('the Duty') which is laid out in the Procurement Reform (Scotland) Act 2014.

Sustainable procurement can be defined as the pursuit of sustainable development objectives through the purchasing and supply process. Sustainable procurement aims to make the best use of public money, helping the government achieve its overarching purpose and strategic objectives.<sup>1</sup>

The Duty<sup>2</sup> (illustrated in Figure 1.1) requires public bodies<sup>3</sup> to consider how they can achieve improvements in the social, environmental and economic wellbeing of the area in which they operate, with a particular emphasis on reducing inequality. It also requires public bodies to think about how procurement processes can facilitate the involvement of small and medium enterprises (SMEs), third sector bodies and supported businesses and how public procurement can be used to promote innovation. Public bodies must then ensure that they act, when implementing procurement exercises, with a view to securing the intended benefits.<sup>4</sup>

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<sup>1</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: statutory guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

<sup>2</sup> Scottish Government, Public sector procurement, <https://www.gov.scot/policies/public-sector-procurement/sustainable-procurement-duty/>

<sup>3</sup> When we refer to 'public bodies' throughout this report, we are referring to bodies to which the Procurement Reform (Scotland) Act 2014 applies. A directory of public bodies can be found here: <https://www.gov.scot/publications/national-public-bodies-directory/>. In the context of procurement, they may also be referred to as a 'contracting authority' or 'procuring organisation'.

<sup>4</sup> Procurement Reform (Scotland) Act 2014, <http://www.legislation.gov.uk/asp/2014/12/section/9>

Figure 1.1 Sustainable Procurement Duty



## Purpose of the research

This research will provide the Scottish Government with evidence of the ways in which the Duty is contributing to Scotland's overarching purpose by contributing to individual national outcomes.<sup>5</sup> It will also provide information on the opportunities and barriers which affect the implementation of the Duty by public bodies.

The key objectives of the research included the following:

- collection and analysis of qualitative and quantitative data including evidence of the following:
  - how, and to what extent, public bodies are using procurement to improve the economic, social and environmental wellbeing of their area (which must include analysis of how fair work practices are being addressed, and if bodies are paying the real Living Wage, promoting equality and tackling inequality for those working on public contracts)
  - the extent to, and ways in, which public bodies are supporting SMEs, third sector bodies and supported businesses to be involved in procurement processes

<sup>5</sup> Scottish Government, National Performance Framework, <https://nationalperformance.gov.scot/what-it>

- how public bodies are promoting innovation
  - impact of community benefit requirements on employment and skills, and any sub-contracting opportunities and ways in which this is benefiting priority groups
  - other community benefits
  - how public bodies are using public procurement to impact on environmental wellbeing
  - the contribution of the Duty to the delivery of policy intentions
  - contribution of public bodies to the achievement of the national outcomes through procurement.
- provision of recommendations on actions required at national, sectoral, and local levels to improve how public bodies can demonstrate their compliance with the Duty and impact on national outcomes.
  - provision of recommendations on how the impact of sustainable public procurement should be evaluated on an ongoing basis (short, medium and long term)

## Context for the research

There is a desire by the Scottish Government to gain a clearer understanding of how public bodies are implementing the Duty in practice. This research provides an evidence base to enhance understanding.

The Procurement Reform (Scotland) Act 2014 is a significant element of the work achieved so far in the reform of public procurement in Scotland.<sup>6</sup>

Within the Act, the Scottish Government emphasises sustainable public procurement. The Duty, outlined in the Procurement Reform (Scotland) Act 2014, section 9,<sup>7</sup> aims to make the best use of public money and aligns with Scotland's overarching purpose and strategic objectives. The Duty aligns with the National Performance Framework and Scotland's Economic Strategy.<sup>8</sup>

Scotland's National Performance Framework sets out national outcomes with the aim of:<sup>9</sup>

- creating a more successful country;
- giving opportunities to all people living in Scotland;
- increasing the wellbeing of people living in Scotland;
- creating sustainable and inclusive growth; and
- reducing inequalities and giving equal importance to economic, environmental and social progress

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<sup>6</sup> Scottish Government, Information about the Procurement Reform (Scotland) Act 2014, <https://www.webarchive.org.uk/wayback/archive/20170701235508/http://www.gov.scot/Topics/Government/Procurement/policy/ProcurementReform/ProcReformAct>

<sup>7</sup> Procurement Reform (Scotland) Act 2014, <http://www.legislation.gov.uk/asp/2014/12/section/9>

<sup>8</sup> Scottish Government, Public Sector Procurement, <https://www.gov.scot/policies/public-sector-procurement/sustainable-procurement-duty/>

<sup>9</sup> Scottish Government, National Performance Framework, <https://nationalperformance.gov.scot/>

The National Performance Framework aims to encourage everyone in Scotland to work together to achieve national outcomes. This includes national and local government, businesses, voluntary organisations and people living in Scotland. Procurement practices have a role to play in achieving the national outcomes.<sup>10</sup>

The Duty aims to contribute towards the achievement of the national outcomes, as well as helping public bodies to achieve local outcomes and implement local policies.

The Duty requires public bodies to consider sustainability in all purchases of £50,000 and above for goods and services, rising to £2,000,000 and above for works. The Duty requires a public body to consider, before carrying out a regulated procurement, how it can improve the economic, social and environmental wellbeing in its area, facilitate the involvement of SMEs,<sup>11</sup> third sector bodies and supported businesses, and promote innovation. It must then, act with a view to securing the intended benefits.<sup>12</sup>

Public bodies that envisage having £5 million or greater procurement spend in the next financial year must prepare a procurement strategy. This must outline how the public body intends to carry out regulated procurements, including its plans for complying with the Duty.<sup>13</sup> It also must prepare an annual report on its regulated procurement activities.<sup>14</sup> The Scottish Government provides support and guidance, including a set of sustainable procurement tools, to help public bodies comply with the Duty.

The sustainable procurement duty tools were created to help organisations embed sustainability into their procurement process by 'identifying and addressing how they can optimise the economic, social and environmental outcome of their procurement activity'.<sup>15</sup> Table 1.1 details the four main tools the Scottish Government has developed to aid the sustainable procurement process.

Table 1.1 Sustainable procurement tools

<p>Scottish public procurement prioritisation tool (SPPPT)</p>	<p>The prioritisation tool was developed to bring a standard structured approach to the assessment of spend categories. The risk and opportunity approach enables resources to be focused on achieving and measuring social benefits such as the creation of employment and training opportunities, whilst driving innovation. It may support annual procurement strategy refreshes.</p>
<p>Sustainability test</p>	<p>The sustainability test was designed to help embed relevant and proportionate sustainability requirements in the development of frameworks and contract. It is a quick test and may be used as a standalone product or in conjunction with the SPPPT.</p>

<sup>10</sup> Scottish Government, National Performance Framework, <https://nationalperformance.gov.scot/>

<sup>11</sup> Scottish Government, Public Sector Procurement, <https://www.gov.scot/policies/public-sector-procurement/sme-access-to-public-contracts/>

<sup>12</sup> Procurement Reform (Scotland) Act 2014, <http://www.legislation.gov.uk/asp/2014/12/section/9>

<sup>13</sup> Procurement Reform (Scotland) Act 2014, <http://www.legislation.gov.uk/asp/2014/12/section/15>

<sup>14</sup> Procurement Reform (Scotland) Act 2014, <http://www.legislation.gov.uk/asp/2014/12/section/18>

<sup>15</sup> Scottish Government, Sustainable Procurement Tools, <https://sustainableprocurementtools.scot/>

Life cycle impact mapping	This tool is used to identify environmental and social impacts of raw materials, manufacturing and logistics, use and disposal or end of life management at each stage in the product or service and address these in the procurement process. This method can be applied to categories before undergoing the prioritisation methodology or sustainability test.
Flexible framework assessment tool	This is a self-assessment tool that can be used to assess current levels of performance and the actions required to embed good procurement practice to realise intended sustainable outcomes.

In addition to the sustainable procurement tools, the Scottish Government provides guidance to help public bodies take a relevant and proportionate approach to embed sustainable actions in procurement processes. The guidance covers a range of 14 socio-economic and environmental factors including communities, equality, fair work, climate change, and biodiversity.

The Duty also focuses on economic wellbeing and inclusion, supported by the fundamental principles of equal treatment and proportionality. This includes facilitating access and removing barriers to participation by small firms and the self-employed, third sector bodies and supported businesses.<sup>16</sup> One example would be keeping costs associated with submitting a tender to a minimum.

Promoting innovation is another core element of the Duty. Innovation in public procurement gives a public body the opportunity to influence the market towards innovative solutions. Public bodies can promote innovation through the development of requirements and in the tendering process.<sup>17</sup>

## Community benefits

Community benefit requirements are a subset of sustainable procurement and are defined in the Procurement Reform (Scotland) Act 2014 as a contractual requirement imposed by a public body:<sup>18</sup>

- a) relating to:
  - training and recruitment
  - availability of sub-contracting opportunities
- b) or which is otherwise intended to improve the economic, social or environmental wellbeing of the body's area in a way additional to the main purpose of the contract in which the requirement is included

<sup>16</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

<sup>17</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

<sup>18</sup> Scottish Government, Public Sector Procurement, <https://www.gov.scot/policies/public-sector-procurement/community-benefits-in-procurement/>



Community benefits have been a key strand of procurement policy and practice in Scotland since 2008.<sup>19</sup> The Procurement Reform (Scotland) Act 2014, Section 25, stipulates that where a public body is to tender a contract valued at £4 million or above, it must consider during the design of the tender whether or not to include community benefit requirements. The momentum behind the use of community benefit requirements “has mainly come from public sector organisations, but increasingly many contractors are also keen to commit to community benefit requirements as they align with and demonstrate contractors’ wider commitment to society and enable them to deliver on their Corporate Social Responsibility (CSR) agenda”.<sup>20</sup>

In 2015, the Scottish Government commissioned research to analyse the impact and value of community benefit requirements in procurement. This was conducted by the Training and Employment Research Unit (TERU) at the University of Glasgow.<sup>21</sup> The research aimed to assess the application of community benefit requirements and the impact these have on employment and skills development. TERU’s research found that community benefit requirements had contributed to a range of national and local outcomes relating to employability, skills and tackling inequalities by focusing on under-represented groups.

Community benefit requirements may not always be appropriate and a public body must consider the nature of the contract, its duration and local factors. In line with the Duty, community benefit requirements should be used in instances where a risk and opportunity assessment identify they are appropriate.

At the time, TERU’s research confirmed that community benefits contribute to four national outcomes:<sup>22</sup>

- national outcome 2: we realise our full economic potential with more and better employment opportunities for our people
- national outcome 3: we are better educated, more skilled and more successful, renowned for our research and innovation
- national outcome 4: our young people are successful learners, confident individuals, effective contributors and responsible citizens
- national outcome 7: we have tackled the significant inequalities in Scottish society

Ninety-four organisations participated in a survey conducted by TERU to inform the research. Two-thirds of the organisations had community benefit requirements in their contracts. Of the 62 organisations that had used community benefit requirements, only 16 had used them routinely with the remaining 46 organisations using them only on some of their contracts. In addition, among the organisations surveyed, 85% had at least one policy

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<sup>19</sup> Scottish Government (2008), Community Benefits In Public Procurement, <https://www.gov.scot/publications/community-benefits-public-procurement/>

<sup>20</sup> University of Glasgow (2015), Analysis of the Impact and Value of Community Benefit Clauses in Procurement, <https://www2.gov.scot/Resource/0048/00480510.pdf>

<sup>21</sup> University of Glasgow (2015), Analysis of the Impact and Value of Community Benefit Clauses in Procurement, <https://www2.gov.scot/Resource/0048/00480510.pdf>

<sup>22</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/7/>

or structure in place to support the use of community benefit requirements. All responding local authorities (18) and urban regeneration companies (3) used community benefit requirements either routinely or in some contracts.

However, a number of organisations that took part in the survey did not include community benefit requirements, including 54% (14) of government agencies and 69% (11) of universities and colleges. At the time, the main reasons identified for not using community benefit requirements were:

- they were not judged relevant to the types of contract being awarded by a body
- practical concerns about the management of community benefit requirements
- lack of awareness of community benefits
- a lack of clarity about the legality of using community benefit requirements<sup>23</sup>.

TERU's research found that community benefit requirements were increasingly being included in the procurement process. Targets around job opportunities, apprenticeships, work placements and training for priority groups being exceeded. However, the research also concluded that there was still scope to build further awareness and understanding.

Following TERU's research, statutory guidance for community benefit requirements for procurement contracts equal to or more than £4 million was established. The statutory guidance sets out:

- consultation that should take place before a public body determines whether or not to include community benefit requirements in a contract to which section 25 of the 2014 Act applies
- the information that should be contained in a contract notice and award notice in relation to community benefit requirements
- the circumstances in which inclusion of community benefit requirements would or would not be appropriate

This current research will explore the extent of progress made in delivering community benefits through procurement since the TERU report, and consider the impact of the Duty more widely.

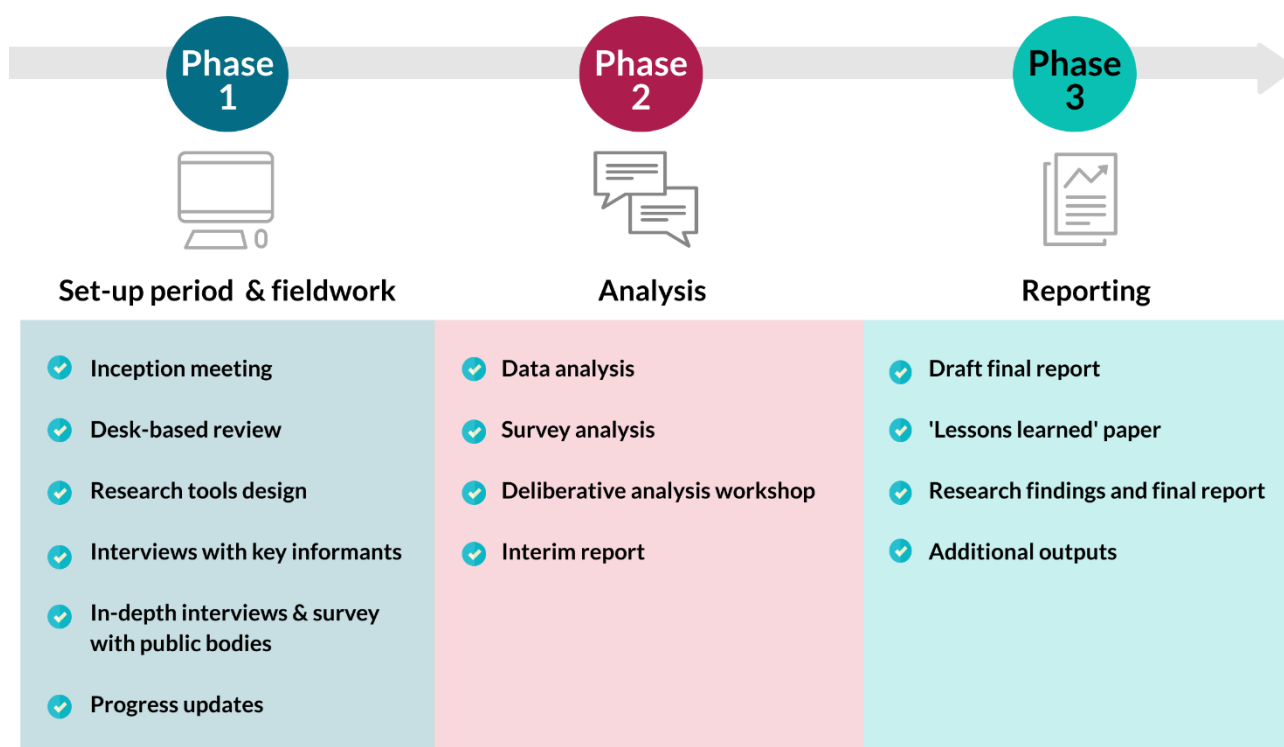
## **Research approach**

In order to undertake robust analysis of the impact and value of the Duty, we applied a range of methodological approaches. Our methodology for the research is illustrated in Figure 1.2.

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<sup>23</sup> In April 2016, just under a year after the TERU report was published, section 25 of the Procurement Reform (Scotland) Act 2014 came into force. This placed a legal obligation on public bodies to consider the inclusion of community benefit requirements in contracts with a value of £4 million or more.

Figure 1.2 Methodology



### Survey of public bodies

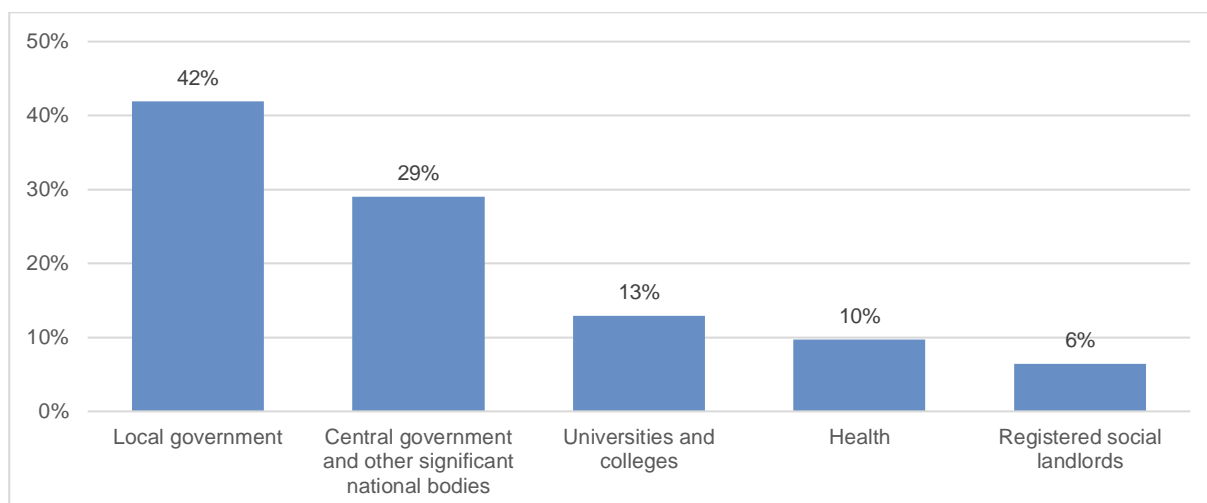
We conducted a survey of public bodies that submitted procurement reports in 2018 and additional organisations that had not done so.

The survey explored experiences of implementing the Duty and barriers and challenges to doing so. It also explored the need for additional support to improve implementation and impact.

We received 33 responses to the survey from 31 public bodies.<sup>24</sup> A breakdown of the responding organisations by sector is shown in Figure 1.3.

<sup>24</sup> Two public bodies submitted two separate responses to the survey. When presenting the survey results, we have included all the responses, other than Figure 1.3 where we give a breakdown of respondents by sector.

Figure 1.3: Survey respondents by sector (n=31)



### Follow-up calls

We conducted follow-up telephone calls with five survey respondents to gather additional understanding in key areas or to fill any gaps.

### Qualitative analysis of 2017-18 and 2018-19 procurement reports

We undertook qualitative analysis of information provided in public bodies' 2017-18 and 2018-19 annual procurement reports on compliance with the Duty. These reports are published online and are publicly available. The analysis focused on the 2017-18 reports as a full set of 2018-19 annual procurement reports was not available at the time we carried out this desk-based review element of this study. However, where possible and appropriate, we have included information from 2018-19 procurement reports that became available later in the study.

### In-depth interviews

We conducted 11 in-depth interviews with senior procurement staff from a sample of public bodies across Scotland. The interviewees represented a range of public bodies including five local authorities, three central government or other national bodies, two health bodies and one university. The interviews were an opportunity to:

- explore, in greater depth, the organisation's approach to implementing the Duty
- explore the impact of the Duty and discuss examples of good practice
- identify any barriers to successful implementation

### Key informant interviews

We conducted 12 key informant interviews with individuals who have in-depth knowledge and experience of the Duty. These included representatives within the Scottish Government and in other parts of the public and third sector.

## Referencing

Throughout the report, we provide examples and quotes from public bodies. We specify if these are taken from survey respondents, interviewees or public bodies' annual procurement reports. In some cases, public bodies' 2017-18 and/or 2018-19 reports are no longer available online. Where the annual procurement reports are available online, we name the public body and provide a link to the report. In cases where the information is taken from a survey response or an interviewee, or where it is taken from an annual procurement report that is not available online, the information has been anonymised.

## Methodological limitations

The analysis we have undertaken has only been able to take account of the information that was available at the time of the research. Some public bodies did not submit annual procurement reports in 2017-18 and/or 2018-19 and any community benefits or other outcomes achieved through their procurement activity has not been reflected in this report. While a substantive amount of information has been analysed, this is not a complete picture of sustainable procurement activity in Scotland.

In addition, while we make comparisons and highlight progress made between 2017-18 and 2018-19 where possible, we cannot always compare the data provided by public bodies in 2017-18 with the data provided in 2018-19. This is because the data was not collected in a consistent manner in the two years. In 2017-18, public bodies largely had the discretion to decide which quantitative data they provided about their procurement activity, and the format they provided it in. In 2018-19, the Scottish Government asked all public bodies to complete a data template with standardised questions. This allows for more comparison between and across public bodies and, assuming that public bodies complete a similar template in their 2019-20 reports, the template will allow more comparisons to be made over time when the 2019-20 reports are available.

## Structure of the report

The remainder of the report is structured as follows:

- Chapter 2 discusses how public bodies are improving economic, social, environmental, wellbeing and reducing inequality in the area
- Chapter 3 discusses how public bodies are involving SMEs, third sector bodies and supported businesses in procurement
- Chapter 4 focuses on how public bodies are promoting innovation through procurement
- Chapter 5 explores public bodies' experiences of implementing the Duty
- Chapter 6 discusses the availability of guidance and support and the take-up of this
- Chapter 7 presents our conclusions and recommendations

Furthermore, the appendices are structured in the following way:

- Appendix 1 contains case studies describing public bodies' approaches to implementing the Duty
- Appendix 2 describes the Duty's contribution to Scotland's national outcomes

- Appendix 3 includes analysis of the level of detail provided by public bodies about the different aspects of the Duty in their annual procurement reports
- Appendix 4 includes additional examples of community benefit requirements imposed by public bodies
- Appendix 5 contains a bibliography

# Chapter 2: Improving economic, social and environmental wellbeing through procurement and reducing inequality

Section 9 of the Procurement Reform (Scotland) Act 2014 provides that in meeting the Duty, public bodies must “before carrying out a regulated procurement, consider how in conducting the procurement process it can improve the economic, social, and environmental wellbeing of the authority’s area”. The Duty can cover a wide range of outcomes including socio-economic and environmental risks and opportunities in respect of fair work, ethical supply chains, climate change, bio-diversity and tackling waste.

In this chapter, we examine the extent to which these requirements within the Duty are being met by public bodies, informed by: analysis of annual procurement reports submitted by public bodies, a survey of public bodies and in-depth interviews with individuals from selected organisations.

The extent of information available to undertake this assessment varied considerably between organisations. Many organisations continue to describe their approaches in procurement reports and in survey responses in general terms. Some organisations, however, provided a more detailed overview of actions taken to address this. Where available, examples of good practice have been incorporated into this chapter.

## Community benefit requirements

Frequently, public bodies described ensuring improvements to the economic, social and environmental wellbeing of their area through the inclusion of community benefit requirements in contract specifications.

Community benefit requirements have been an important feature of public procurement in Scotland since 2008.<sup>25,26</sup> The Scottish Government’s Guidance on the Duty<sup>27</sup> notes that “community benefits may be viewed as a subset of the Sustainable Procurement Duty”. These requirements allow public bodies to achieve various social, economic and environmental impacts through procurement. Public bodies can insert clauses in contracts requiring contractors to:

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<sup>25</sup> Scottish Government (2008), Community Benefits in Public Procurement, <https://www.gov.scot/binaries/content/documents/govscot/publications/progress-report/2008/02/community-benefits-public-procurement/documents/0056513-pdf/0056513-pdf/govscot%3Adocument/0056513.pdf>

<sup>26</sup> University of Glasgow (2015), Analysis of the Impact and Value of Community Benefit Clauses in Procurement, <http://eprints.gla.ac.uk/109821/1/109821.pdf>

<sup>27</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

- create employment, training, apprenticeship and skills development opportunities for local people
- promote sub-contracting among SMEs, the third sector and supported businesses
- take action to promote environmental wellbeing
- provide resources or support for community organisations or facilities.

By doing this, as well as contributing to the National Performance Framework, public bodies can tailor community benefit requirements to support local policies and priorities.

Section 25 of the Procurement Reform (Scotland) Act 2014 gives the use of community benefit requirements a legislative basis. It states that public bodies must consider imposing community benefit requirements in regulated procurements where the estimated value of the contract is equal to or greater than £4 million. The guidance on the Duty, however, notes that: “while the Act has a specific threshold at which community benefits must be considered, application of the Sustainable Procurement Duty means that community benefits may be achieved below this threshold”. In some cases, individual public bodies have set their own internal thresholds for considering community benefit requirements that are lower than £4 million.

In this section, we discuss the steps that public bodies are taking to embed community benefit requirements in regulated procurement activity, the types of benefits achieved, and the impact of community benefit requirements. Additional examples are included in Appendix 4.

## **Use of community benefit requirements**

Community benefit requirements are an important aspect of public bodies’ approach to implementing the Duty. This is demonstrated by our analysis of annual procurement reports which shows that a large proportion (89, 81%) of public bodies included community benefit requirements in contracts awarded in 2018-19. This represents the same percentage as in 2017-18, and shows that progress has been made since the previous research into community benefit requirements was carried out in 2015,<sup>28</sup> which found that the use of community benefit requirements at that time was increasing among public bodies.

Responses to our survey of public bodies also indicate that most bodies use community benefit requirements. All but one respondent (32, 97%) agreed or strongly agreed that their organisation promotes community benefit requirements through its regulated procurement activities.

### **Number of regulated contracts with community benefit requirements**

As Figure 2.1 below shows, forty-nine public bodies (45%) provided information in their 2018-19 annual procurement reports about the number of contracts valued at £4 million or greater that included community benefit requirements. In total, these 49 organisations

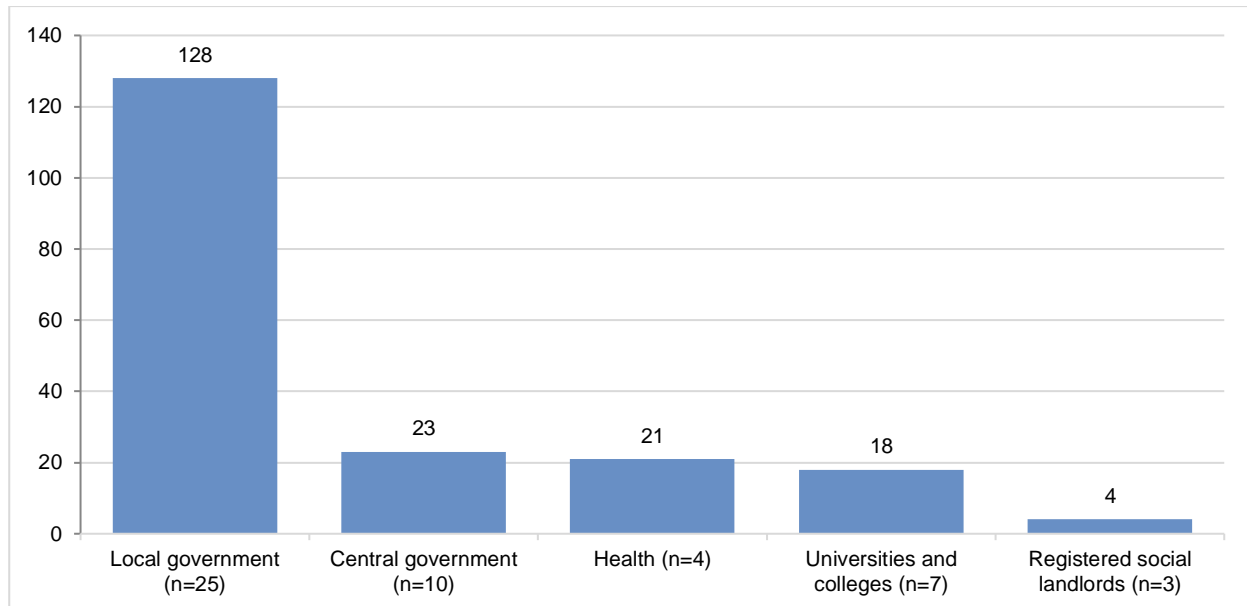
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<sup>28</sup> University of Glasgow (2015), Analysis of the Impact and Value of Community Benefit Clauses in Procurement, <http://eprints.gla.ac.uk/109821/1/109821.pdf>



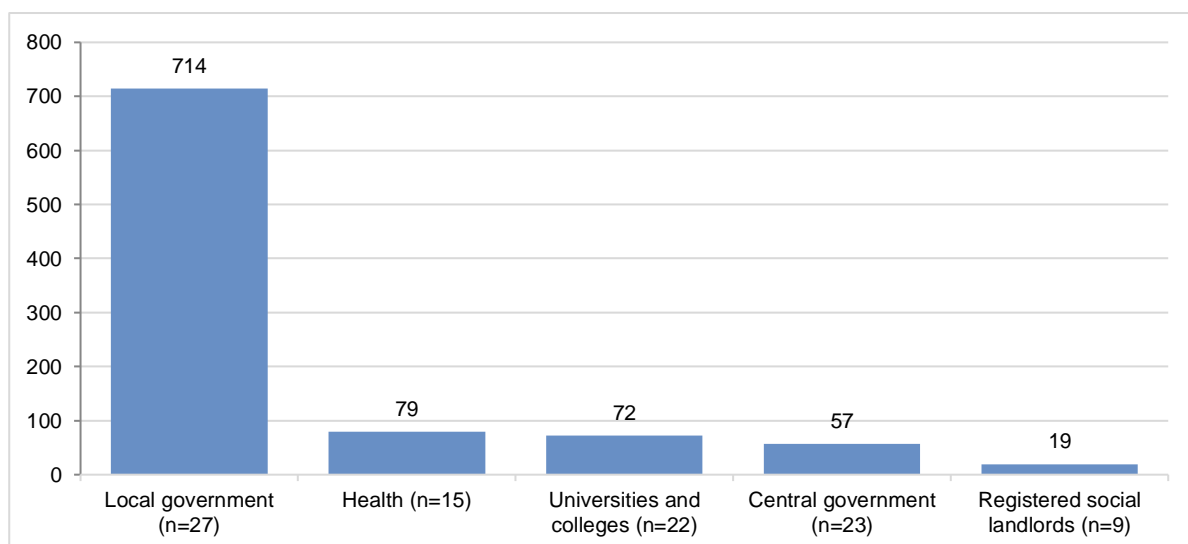
awarded 194 regulated contracts above this value that included community benefit requirements. This equates to 78% of all contracts of this value awarded by these bodies. As in 2017-18, most of these contracts were awarded by the local government sector (128, 66%).

Figure 2.1 Number of regulated contracts awarded with a value of £4 million or greater that contain community benefit requirements (n=49)<sup>29</sup>



Similarly, there were 941 regulated contracts with a value of less than £4 million that contained community benefit requirements in 2018-19 among the 96 public bodies (87%) that provided this data. Again, the local government sector accounts for the highest proportion (714, 76%) (see Figure 2.2 below).

Figure 2.2 Number of regulated contracts awarded with a value of less than £4 million that contain community benefit requirements (n=96)



<sup>29</sup> In this chart, and others in this report, 'n=x' refers to the number of public bodies that provided the data we have presented in the chart. We provide an overall figure as well as a sectoral breakdown to show the number of public bodies from each sector that provided the data in question.

It is important to note that the figures provided above are likely to be an underestimate, given the number of public bodies that did not provide this information in their annual procurement report.

## **Public bodies' approach to embedding community benefit requirements in procurement processes**

Public bodies have taken various steps to implement and embed community benefit requirements in their procurement activity. Many stated in their annual procurement report that they consider community benefits in all procurements that meet certain criteria.

Some explained that community benefits are considered for inclusion 'where applicable', but do not always describe the criteria they use to determine if a contract is suitable for community benefits. For example, one public body stated in its 2017-18 annual procurement report that it "looks for opportunities to impose formal community benefit requirements where the nature of the procurement would be appropriate". Registers of Scotland's policy is to "promote the use of community benefits within procurement exercises where relevant and proportionate to the contract".<sup>30</sup>

Others stated that, while the consideration of community benefit requirements is only mandatory for procurements valued at or above £4 million, they have set their own, lower, thresholds. Some reported that community benefit requirements are considered for all regulated procurements. For example, Comhairle nan Eilean Siar confirmed that: "Community benefits are considered for inclusion in all regulated procurement exercises".<sup>31</sup> South Lanarkshire Council: "considers inclusion of these requirements in all regulated tenders, regardless of value, while considering the nature of the supply and the value and duration of the contract".<sup>32</sup> Others have set different thresholds. For instance, Glasgow City Council considers community benefit requirements for all contracts worth over £50,000 for goods and services and £500,000 for works contracts.<sup>33</sup>

Although Scottish Government policy indicates that community benefit requirements should be relevant and proportionate to the contract, some public bodies have found that community benefit requirements can be a barrier to smaller organisations bidding for contracts. One interviewee, for example, reported that their organisation made revisions to thresholds based on lessons learned. They had previously included community benefit requirements in all contracts worth £10,000 or more, but increased this internal threshold to £50,000 in order to ensure that the contracts were more accessible to SMEs.<sup>34</sup> This

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<sup>30</sup> Registers of Scotland, Annual Procurement Report, 2018-19, <https://www.ros.gov.uk/about/publications/governance-and-corporate/2020/annual-procurement-report-2018-2019>

<sup>31</sup> Comhairle nan Eilean Siar, Annual Procurement Report, 2018-19, <https://www.cne-siar.gov.uk/media/14723/statutory-annual-procurement-report-2018-19-002.pdf>

<sup>32</sup> South Lanarkshire Council, Annual Procurement Report, 2018-19, [https://www.southlanarkshire.gov.uk/download/downloads/id/13247/procurement\\_annual\\_report\\_2018-2019.pdf](https://www.southlanarkshire.gov.uk/download/downloads/id/13247/procurement_annual_report_2018-2019.pdf)

<sup>33</sup> Glasgow City Council, Annual Procurement Report, 2018-19, <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=42112&p=0>

<sup>34</sup> Our research has found that delivering community benefit requirements can be a disincentive for SMEs to tendering for certain opportunities. This is an issue we return to in Chapter 5.

also enabled them to focus their resources on monitoring the impact of community benefit requirements included in higher value contracts. We return to the issue of community benefits requirements creating barriers later in the report.

Some public bodies limited their discussion to a confirmation that they consider community benefit requirements in all relevant contracts. Most (78, or 68% of the 115 public bodies that submitted an annual procurement report in 2017-18) provided details about how they promote the use of these requirements and ensure that they are considered where appropriate. We discuss the information provided by public bodies about how they are implementing community benefit requirements below.

The most common approach, taken by many public bodies, is to adapt invitation to tender documents to request information from tenderers about the community benefits required. A few examples are below:

“Community benefits are being built into the contracting process for all major contracts... with standard clauses now being introduced into relevant invitation to tender and similar documents”<sup>35</sup> (Police Scotland)

“Where relevant and proportionate to the subject matter of the procurement... Tenderers are asked to describe their approach to delivering the community benefits noted in the tender specification” (public body annual procurement report, 2017-18)

“Development of model questions for contracts and frameworks to encourage appropriate and preferred benefits linked to our communities”<sup>36</sup> (City of Edinburgh Council)

“Suppliers are required to make a community benefits submission as part of their overall tender submission”<sup>37</sup> (Midlothian Council)

“Community benefits are considered at the contract strategy development stage and, if considered appropriate, are thereafter reflected in the tender documentation”<sup>38</sup> (East Renfrewshire Council)

“Within our standard invitation to tender for regulated procurement projects... we strongly encourage community benefits to be included in tender returns”<sup>39</sup> (Scottish Enterprise)

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<sup>35</sup> Police Scotland, Annual Procurement Report, 2017-18, <https://www.scotland.police.uk/spa-media/hnkjf05y/annual-procurement-report-2017-2018.pdf>

<sup>36</sup> City of Edinburgh Council, Annual Procurement Report, 2017-18, <https://www.edinburgh.gov.uk/downloads/file/25914/procurement-annual-report-2018>

<sup>37</sup> Midlothian Council, Annual Procurement Report, 2018-19, [http://www.midlothian.gov.uk/download/downloads/id/3056/Midlothian\\_Council\\_Annual\\_Procurement\\_Report\\_2017-18.pdf](http://www.midlothian.gov.uk/download/downloads/id/3056/Midlothian_Council_Annual_Procurement_Report_2017-18.pdf)

<sup>38</sup> East Renfrewshire Council, Annual Procurement Report, 2017-18, [https://www.eastrenfrewshire.gov.uk/media/2598/Cabinet-Item-04-25-October-2018/pdf/Cabinet\\_Item\\_04\\_-\\_25\\_October\\_2018.pdf?m=637357817963200000](https://www.eastrenfrewshire.gov.uk/media/2598/Cabinet-Item-04-25-October-2018/pdf/Cabinet_Item_04_-_25_October_2018.pdf?m=637357817963200000)

<sup>39</sup> Scottish Enterprise, Annual Procurement Report, 2017-18, <https://www.scottish-enterprise.com/media/1751/se-annual-report-2017-18.docx>

“The Procurement Team has also developed the section of the tender response document that requests information on community benefits”<sup>40</sup> (River Clyde Homes)

“Tenderers are required to make a community benefits submission in respect of the spend they will receive through access to the relevant framework and this is monitored throughout the duration of the framework agreement” (public body annual procurement report, 2017-18)

In some cases, such as Strathclyde Partnership for Transport<sup>41</sup>, tenderers’ responses to questions about community benefit requirements are scored as part of the tender assessment process and this information is used to help select the successful tenderer. This represents good practice and helps prevent suppliers from spending significant time producing information which is not a determinant of success. In addition, it reinforces the importance of community benefit requirements as part of the delivery of a contract.

Other steps that public bodies have taken to embed community benefits into their procurement processes include the following:

- stakeholder consultation: some public bodies - particularly universities and colleges - noted that they consult stakeholders to determine if community benefit requirements are appropriate for certain contracts. For example, Glasgow School of Art explained that its “policy on identifying community benefit requirements is to conduct risk and opportunities assessments through stakeholder consultation and engagement”<sup>42</sup>
- training for staff: one public body, for example, reported in its 2017-18 annual procurement report that “community benefits are an important element of our approach to sustainable procurement, and as such we have incorporated training within the Procurement Governance Framework to support and promote this requirement”
- encouraging staff responsible for procurement to consider community benefits. For instance, Moray Council reported, “all Lead Officers are challenged at strategy development stage to consider what can be included”.<sup>43</sup> Orkney Islands Council noted that “officers with Delegated Procurement Authority must complete a Commodity Strategy for all Regulated Procurements which includes a section on Community Benefits to be considered where applicable”<sup>44</sup>

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<sup>40</sup> River Clyde Homes, Annual Procurement Report, 2017-18, [https://www.riverclydehomes.org.uk/uploaded/river-clyde-web/passthrough/annual\\_procurement\\_report\\_2017\\_18.pdf](https://www.riverclydehomes.org.uk/uploaded/river-clyde-web/passthrough/annual_procurement_report_2017_18.pdf)

<sup>41</sup> Strathclyde Partnership for Transport, Annual Procurement Report, 2017-18, [http://www.spt.co.uk/corporate/wp-content/uploads/2018/08/procurementannualreport\\_2017-18.pdf](http://www.spt.co.uk/corporate/wp-content/uploads/2018/08/procurementannualreport_2017-18.pdf)

<sup>42</sup> Glasgow School of Art, Annual Procurement Report, 2017-18, <http://www.gsa.ac.uk/media/1655978/spend-report-17-18.pdf>

<sup>43</sup> Moray Council, Annual Procurement Report, 2017-18, <http://www.moray.gov.uk/downloads/file121042.pdf>

<sup>44</sup> Orkney Island Council, Annual Procurement Report, 2017-18, [https://www.orkney.gov.uk/Files/Business-and-Trade/Procurement/Procurement\\_Annual\\_Report\\_2016\\_2018.pdf](https://www.orkney.gov.uk/Files/Business-and-Trade/Procurement/Procurement_Annual_Report_2016_2018.pdf)

## Types of community benefits delivered

Public bodies reported delivering various types of community benefit requirements. Figure 2.3 illustrates the percentage of public bodies that delivered each type of requirement in 2018-19. This is based on data provided by the 89 public bodies (81%) that reported including these requirements in contracts procured in 2018-19.

Figure 2.3 What types of community benefits were delivered during the year? (n=89)

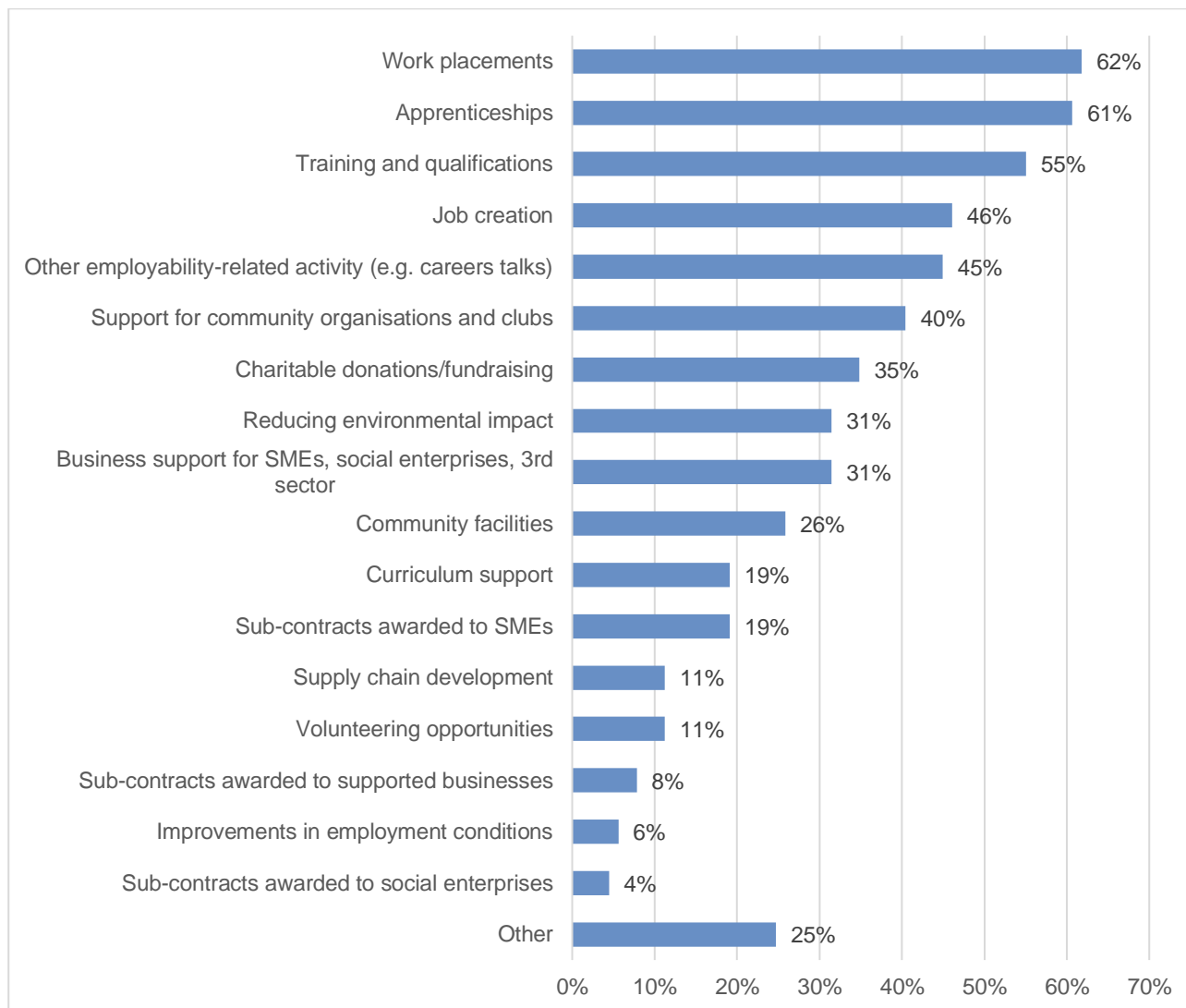


Figure 2.3 shows that the most common types of community benefits delivered were:

- employability outcomes for priority groups<sup>45</sup> (work placements, apprenticeships, opportunities for training and qualifications, job creation, and other employability-related activity)
- support for community organisations and clubs

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<sup>45</sup> Community benefit requirements may be particularly helpful to disadvantaged groups or areas. 'Priority groups' refer to groups of people or organisations that public bodies have identified in their communities as being in need of support through community benefit requirements.

- charitable donations and fundraising
- reducing environmental impact
- business support for SMEs, social enterprises and the third sector

### **Employability outcomes (work placements, apprenticeships, opportunities for training and qualifications, job creation, and other employability-related activity)**

In 2018-19, as in 2017-18, the most common form of community benefits delivered were those related to: employability-focused activity such as work placements (55, 62%), apprenticeships (54, 61%), opportunities for training and qualifications (49, 55%), job creation (41, 46%), and other employability-related activity such as careers talks and site visits (40, 45%). For example:

- one public body reported the following benefits in its 2017-18 annual procurement report: 21 school educational visits with over 600 pupils involved; support for 26 school career events; 10 visits to support universities; 24 work experience placements for unemployed people; 15 work experience placements for educational establishments; 14 traditional apprenticeships; 4 adult apprentices; and the creation of four new full-time jobs
- one survey respondent noted that it “had some success in generating employability and actual job offers” for people it supports
- another public body reported creating six jobs, 24 apprenticeships and 105 work placements, all for priority groups in 2017-18
- a public body reported that community benefit requirements created 52 apprenticeships, 146 new jobs and 29 work placements in 2017-18
- another 2017-18 annual procurement report described a contract for fresh butcher meat that included community benefit requirements related to the creation of a Modern Apprenticeship and work experience placements
- one survey respondent observed that a construction contract led to securing one vocational qualification
- a catering service for City of Glasgow College provided, among other benefits, 3 Modern Apprenticeships, 31 work placements and mock interview sessions<sup>46</sup>

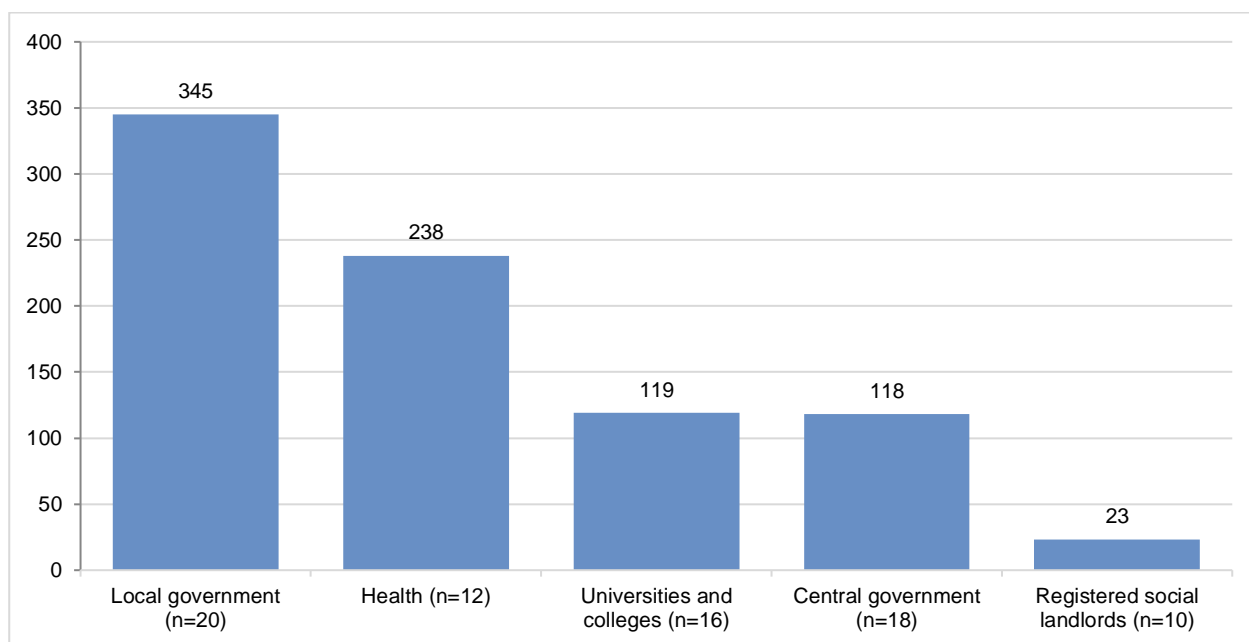
Many public bodies provided quantitative data about the employability outcomes achieved through community benefit requirements in 2018-19. This includes the numbers of jobs, apprenticeships, work placements and qualifications created or achieved as a result of community benefit requirements. It is likely that the figures provided below are significant underestimates, given that this data is not available for the public bodies that did not publish an annual procurement report for 2018-19, or for bodies that published a report but did not include this data.

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<sup>46</sup> City of Glasgow College, Annual Procurement Report, 2018-19, [https://www.cityofglasgowcollege.ac.uk/sites/default/files/CoGCAnnualProcurementReport2018\\_19\\_Feb20.pdf](https://www.cityofglasgowcollege.ac.uk/sites/default/files/CoGCAnnualProcurementReport2018_19_Feb20.pdf)

Nonetheless, data provided by 76 public bodies (69%) shows that 843 jobs were filled by priority groups as a result of community benefit requirements. The highest proportion of these (345, 41%) was in the local government sector and the lowest (23, 3%) among registered social landlords (Figure 2.4).<sup>47,48</sup>

Figure 2.4 Number of jobs filled by priority groups (n=76)



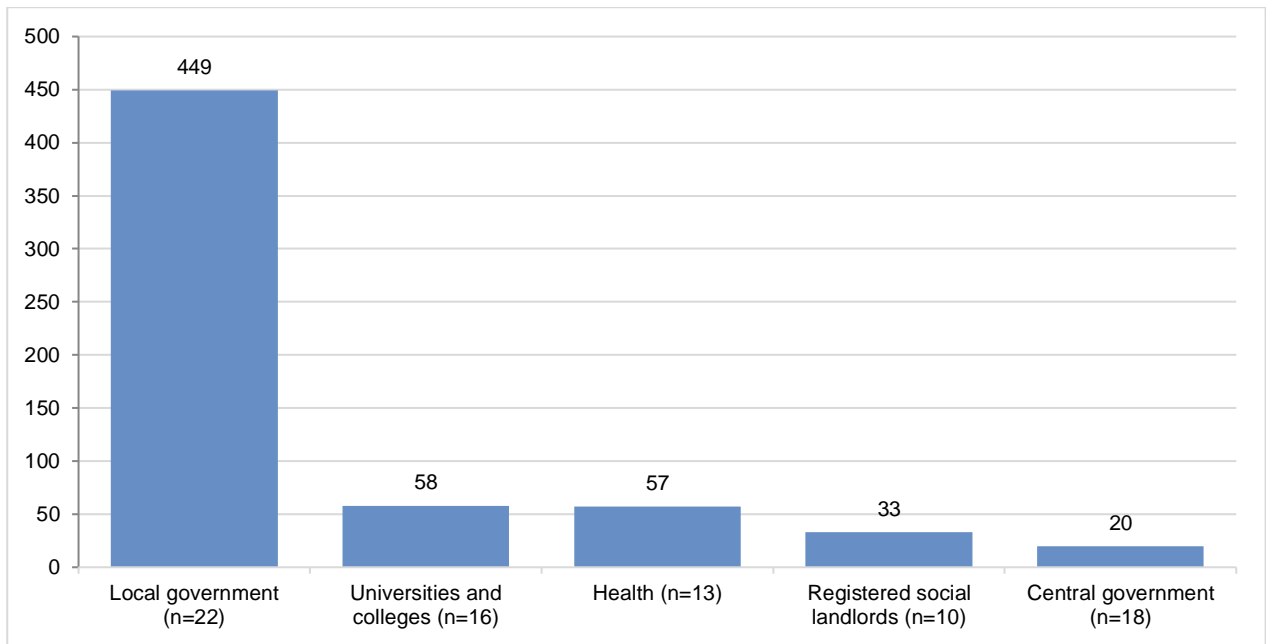
Community benefit requirements in contracts awarded by 79 public bodies (72%) resulted in 617 apprenticeships being filled by priority groups (Figure 2.5). Again, the local government sector accounts for the highest proportion of these apprenticeships (449, 73%).

<sup>47</sup> When considering this data, it should be noted that other public bodies, which did not submit an annual procurement report in 2017-18 and/or 2018-19, may also have delivered community benefits through their procurement activity. As noted in Chapter 1, the analysis we have undertaken has only been able to take account of the information that was available in annual procurement reports, our survey and interviews conducted during the research. While a substantive amount of information has been analysed, this is not a complete picture of sustainable procurement activity in Scotland.

<sup>48</sup> It should also be noted that there may be some duplication of outputs (number of jobs, apprenticeships and so on) achieved across different public bodies, therefore the total number of outputs may be lower than calculated. For example, the number of jobs created through an individual contract might have been reported by an individual public body, and a procurement centre of expertise.



Figure 2.5 Number of apprenticeships filled by priority groups (n=79)



Data provided by 75 public bodies (68%) shows that community benefit requirements led to a total of 597 work placements. Most of these (346, 58%) were provided in the local government sector (Figure 2.6).

Figure 2.6 Number of work placements for priority groups (n=75)

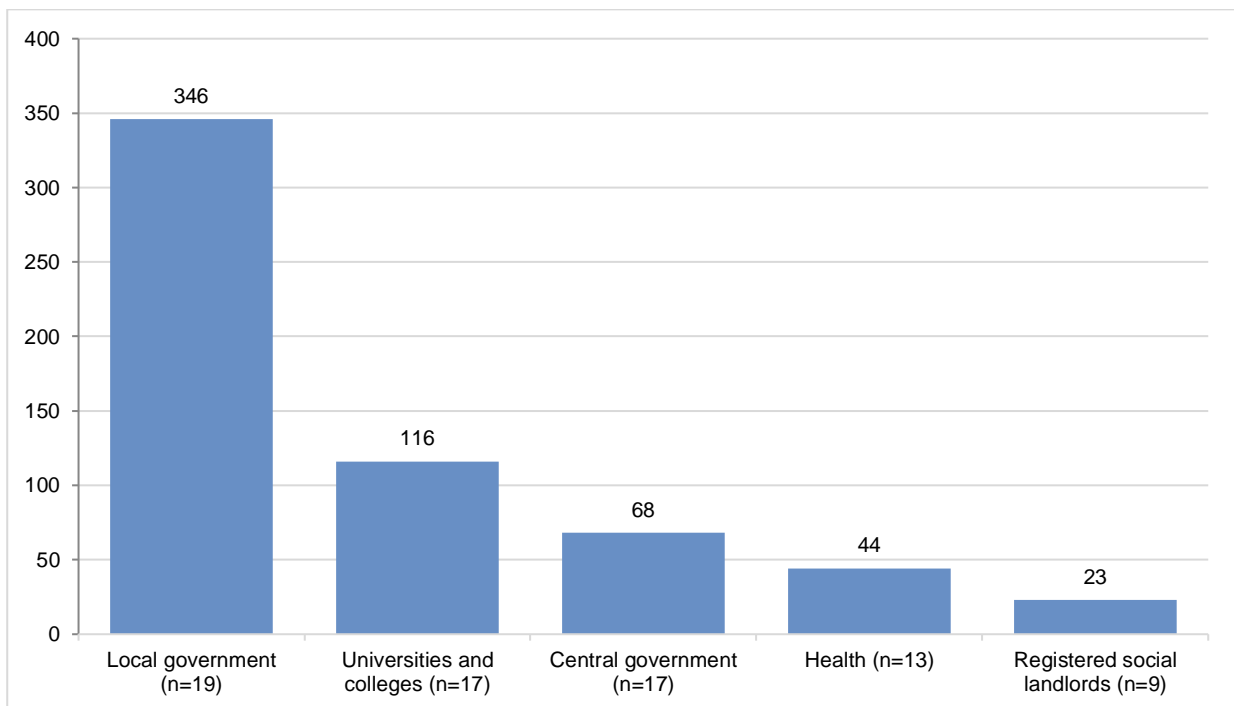
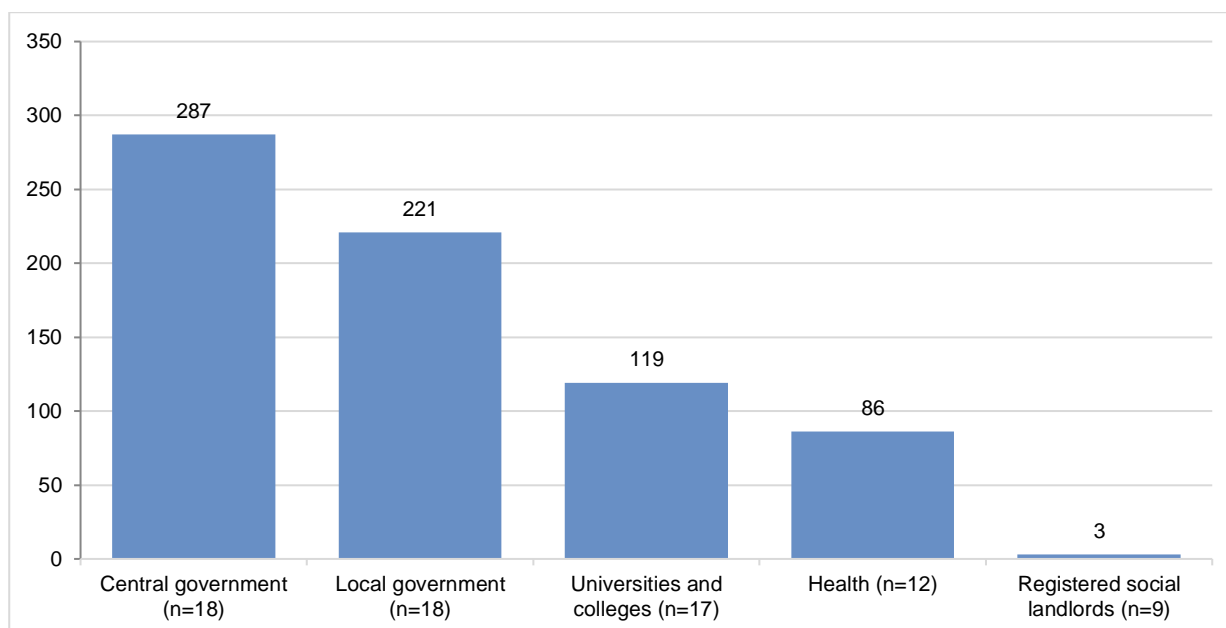


Figure 2.7 shows that 716 qualifications were achieved by priority groups as a result of community benefit requirements across 74 public bodies (67%). The central government sector accounts for the highest proportion of these qualifications (287, 40%).



Figure 2.7 Number of qualifications achieved through training by priority groups (n=74)



Below, we discuss other common types of community benefit requirements.

### Support for community organisations and clubs

Thirty-six public bodies (40% of those that provided details of the types of community benefit requirements achieved in 2018-19) reported including requirements related to support for community organisations and clubs. We have included some examples of the outcomes delivered through these below:

- in 2017-18, a public body reported achieving 235 hours of non-financial support for communities through community benefit requirements
- a landscaping contractor delivering a contract for Highlands and Islands Enterprise provided free shrubs for a social enterprise and medals for a swimming gala<sup>49</sup>
- West Dunbartonshire Council reported gaining community benefits worth £5,550 linked to support for community initiatives<sup>50</sup>
- staff from a road aggregates contractor for Scottish Borders Council painted walls and buildings at a local charity that supports young people<sup>51</sup>

<sup>49</sup> Highlands and Islands Enterprise, Annual Procurement Report, 2018-19, <https://www.hie.co.uk/media/7400/annual-procurement-report-2018-2019.pdf>

<sup>50</sup> West Dunbartonshire Council, Annual Procurement Report, 2018-19, <https://www.west-dunbarton.gov.uk/media/4316970/procurement-annual-report-2019.pdf>

<sup>51</sup> Scottish Borders Council, Annual Procurement Report, 2017-18, [https://www.scotborders.gov.uk/downloads/file/6778/sbc\\_annual\\_procurement\\_report\\_201718](https://www.scotborders.gov.uk/downloads/file/6778/sbc_annual_procurement_report_201718)

## Charitable donations/fundraising

Charitable donations and fundraising were the focus of community benefit requirements awarded by around a third of public bodies (31, 35%) in 2018-19. Some examples of these include:

- a catering supplier for a public body made a financial donation to a local ice rink in 2018/18
- one of Almond Housing Association's contractors donated £200 to a project providing household items for people who have previously been homeless<sup>52</sup> and
- a roads maintenance contractor for Transport Scotland carried out fundraising activities for various charities including Marie Curie, Macmillan and the Trussell Trust<sup>53</sup>

Examples of community benefits linked to environmental wellbeing are included later in this chapter, while an overview of benefits related to SMEs and supported businesses are included in Chapter 3.

## City Region Deals and community benefits

City Region Deals are commonly cited as significant contracts through which community benefits are delivered. In this section we discuss City Region Deals and their importance in achieving various community benefits through procurement.<sup>54</sup>

City Region Deals are agreements made by the Scottish Government, UK Government and regional partners, including local authorities. They involve a strategic programme of investment to support long-term improvements in the economies of regions centred around Scotland's cities. They are tailored to the needs of each individual region and there are currently six deals in operation in Scotland: Glasgow, Aberdeen, Inverness & Highlands, Stirling & Clackmannanshire, Edinburgh & South East Scotland, and the Tay Cities Region.

City Region Deals involve multi-million pound investment in various initiatives designed to improve local infrastructure and amenities. These include housing construction, cultural facilities and developments around digital connectivity and transport, as well as programmes designed to improve skills and employment opportunities among local people.

Given the large-scale public procurement involved in delivering the City Region Deals, they offer an opportunity for public bodies to achieve significant community benefits through procurement. For example, the Glasgow City Deal's Community Benefits

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<sup>52</sup> Almond Housing Association, Annual Procurement Report, 2018-19, <https://www.almondha.org.uk/uploads/2019-09-18-09-37-31-FINAL20201819pdf-89485.pdf>

<sup>53</sup> Transport Scotland, Annual Procurement Report, 2018-19, <https://www.transport.gov.scot/media/46776/transport-scotland-annual-procurement-report-2019.pdf>

<sup>54</sup> Scottish Government, City Region Deals, <https://www.gov.scot/policies/cities-regions/city-region-deals/>

Strategy<sup>55</sup> notes that “community benefits are a key component in maximising social, economic and environmental benefits within the City Deal programme” and states that “community benefits will be targeted in all City Deal contracts, adopting an appropriate approach which is proportionate and relevant to the contract”.

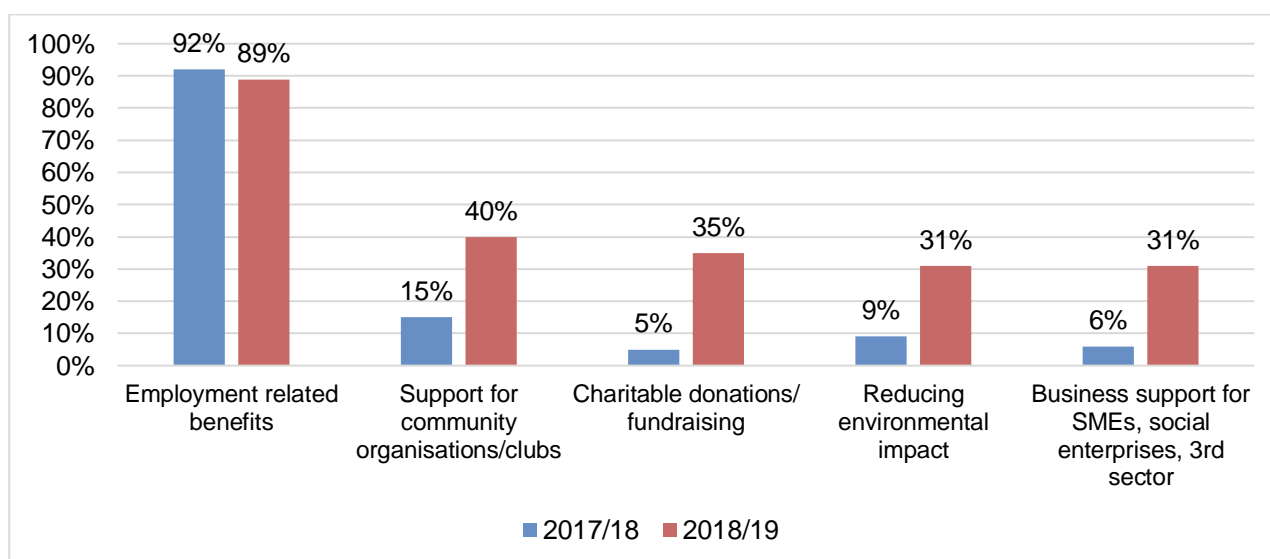
## Changing trends in community benefit requirements

In 2018-19, as in 2017-18, the most common form of community benefit requirements were those related to employability, including the creation of opportunities for employment, work experience and training and qualifications as well as careers talks, site visits and so on. Ninety-two per cent of organisations (79) that submitted an annual procurement report for 2017-18 included community benefit requirements related to employability, and in 2018-19 this figure was 89% (79).

However, as displayed in Figure 2.8, we have identified an increased focus on community benefit requirements in the following four categories in 2018-19 compared with 2017-18:

- support for community organisations/clubs
- charitable donations/fundraising<sup>56</sup>
- reducing environmental impact
- business support activities such as capacity building workshops for SMEs, social enterprises and/or the third sector

Figure 2.8 Changing trends in community benefit requirements (2017-18 n=86, 2018-19 n=89)



## Capturing the impact of community benefit requirements

As discussed above, many public bodies have reported quantitative data about the outputs achieved through community benefit requirements, such as the number of jobs created,

<sup>55</sup> Glasgow City Region, Community Benefits, <http://www.glasgowcityregion.co.uk/communitybenefits>

<sup>56</sup> When charitable donations are included as part of community benefit requirements, it is important that public bodies ensure these are relevant and proportionate to the contract in question.

apprenticeships delivered, sub-contracting opportunities for SMEs and supported businesses. This data provides a helpful indication of the activities and opportunities that have been provided through community benefit requirements, and provides evidence that the Duty, and the use of community benefit requirements, is having a positive impact on public bodies and local communities.

Some public bodies provided further information about the wider impact of these activities and opportunities. For example, one survey respondent reported that community benefit requirements “supported our small rural towns and villages to ensure the local economy and people continue to develop and grow”. Another observed that these requirements have a positive impact in “providing work opportunities for people that may not be readily available to them... encouraging kids to be active by sponsoring local activities... [and] providing support to small businesses to increase knowledge, confidence and capacity”.

Often, however, the information provided seems to be based on an assumption that the activities and opportunities provided by community benefit requirements will have a positive impact on local communities, rather than any robust evidence. For instance, one survey respondent commented that “these will have a positive impact on local communities”. Another reported “it is apparent that these have had a significant impact on communities”.

The 2015 research by TERU included recommendations about the ways in which public bodies should measure the impact of community benefit requirements. The Scottish Government reflected this in the statutory guidance associated with the Duty.

However, some public bodies are not fully implementing this. Many provide little evaluative evidence in their procurement reports about the wider mid- to long-term impact of community benefit requirements on priority groups, organisations (including SMEs, supported businesses and the third sector), communities, contractors or the public body itself. There is a lack of feedback or evidence from priority groups, communities or organisations about the impact of the activities on them. Public bodies provided little information about whether or not these activities and opportunities would have occurred without community benefit requirements, the extent to which employment opportunities have been sustained, or if work placements and apprenticeships have resulted in permanent positions.

In addition, public bodies provided little information about how these community benefit requirements contribute to local or national outcomes. There are some examples where public bodies have done this (Perth & Kinross Council reported that “our approach to community benefits through contracts is aligned to the Developing Young Workforce agenda”<sup>57</sup>) but, on the whole, public bodies reported little detail about the links between community benefit requirements and national or local outcomes.

It may be that it is too early to understand the full impact of these community benefits and longer-term evaluation may be beyond the remit of public bodies’ procurement functions.

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<sup>57</sup> Perth & Kinross Council, Annual Procurement Report, 2017-18, [https://www.pkc.gov.uk/media/42477/Procurement-Annual-Report-2017-18/pdf/Perth\\_and\\_Kinross\\_Council\\_Procurement\\_Annual\\_Report\\_2017-18.pdf?m=636685347655300000](https://www.pkc.gov.uk/media/42477/Procurement-Annual-Report-2017-18/pdf/Perth_and_Kinross_Council_Procurement_Annual_Report_2017-18.pdf?m=636685347655300000)

However, there is a clear message coming through that many public bodies are finding the monitoring and evaluation of community benefit requirements a challenge, not least in terms of ensuring that the data requested from suppliers enables them to evaluate their impact.

There may be various reasons for this lack of evidence of impact. Some public bodies reported that resources and finances are scarce and that available resources are often devoted to activities considered to be higher priority than measuring impact, both in general and in relation to procurement activity.

Others described difficulties in capturing evidence of impact because they “have not engaged directly with recipients of the benefits” (survey respondent). In at least one other case, this information is not collected because there is a feeling “this is not the job of procurement to monitor these impacts and nor should it be” (survey respondent).

In some other cases, such as South Ayrshire Council, the information is not being collected now but: “a new process to record and report information on how community benefits are contributing to local and national outcomes is now also being embedded into the Council’s procurement process.”<sup>58</sup> In other cases, we are aware that public bodies might have collected the information but have not reported it in their annual procurement reports. We return to the issue of monitoring and evaluation in Chapters 6 and 7.

Monitoring and evaluation should be a feature of any rigorous contract management process – but this does not appear to be widespread at present. Whether this is about scarcity of resources or how these resources are being deployed is unclear. It also raises questions about role demarcation – and where responsibility for monitoring and evaluation lies within the organisation.

There may be a question around where responsibility lies for monitoring the impact of community benefit requirements when these feed into, for example, apprenticeships and other training programmes which are likely to be the subject of wider impact evaluations. These are decisions for local bodies to make – but are areas where greater clarity seems to be required.

Overall, our research has shown that the vast majority of public bodies are considering when it is appropriate to incorporate community benefit requirements into their procurement processes. Many are successfully achieving significant community benefits through their procurement activity including benefits such as employment opportunities for priority groups and sub-contracting opportunities for SMEs.

However, the lack of evaluation of community benefit requirements being undertaken by public bodies is an issue that has been noted in previous research into community

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<sup>58</sup> South Ayrshire Council, Annual Procurement Report, 2017, <https://www.south-ayrshire.gov.uk/procurement/publications/annual%20procurement%20report%202017.pdf>

benefits,<sup>59</sup> and limits the conclusions we can draw about the wider impact of these requirements.

There has undoubtedly been progress made in the evaluation of the impact of community benefit requirements since the 2015 TERU research<sup>60</sup>. Community benefit requirements are reported to be having a substantive impact on individuals, local communities and organisations but evidence of this impact is more limited. This requires:

- more leadership
- greater clarity around roles and responsibilities
- activities to further raise awareness and increase take-up among public bodies of the existing guidance around evaluation
- consideration of any further support that bodies need to collect more robust evidence of their wider impact and contribution to local and national outcomes

## Improving environmental wellbeing

In relation to the environmental wellbeing aspect of the Duty, we analysed the extent to which organisations addressed environmental wellbeing in terms of energy efficiency, waste reduction, and other environmental factors. Section 9 of the Procurement Reform (Scotland) Act 2014 provides that in meeting the Duty, public bodies must “before carrying out a regulated procurement, consider how in conducting the procurement process it can improve the economic, social, and environmental wellbeing of the authority’s area”.<sup>61</sup>

In this section, we consider how the environmental wellbeing aspect of the Duty has been addressed, exploring the information that public bodies provided about how they met environmental wellbeing objectives, particularly in reference to energy efficiency, waste reduction and climate change. We draw on evidence provided in procurement reports submitted by public bodies across the 2017-18 reporting period, responses to our survey of public bodies and information provided through in-depth interviews.

Responses to our survey suggest that most public bodies are taking action to promote environmental wellbeing and tackle climate change through their regulated procurement activities. Sixty-seven per cent of respondents (22) agreed with this and 27% (nine) strongly agreed. This is a positive indication of action in this area. However, 6% of respondents (two) disagreed that their public body was promoting environmental wellbeing and tackling climate change through regulated procurement activities. For example, one of these public bodies explained that climate change is a complex issue and that focusing on procurement practices “fails to identify strategic infrastructure issues that need to be addressed by both local government and industry”.

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<sup>59</sup> University of Glasgow (2015), Analysis of the Impact and Value of Community Benefit Clauses in Procurement, <http://eprints.gla.ac.uk/109821/1/109821.pdf>

<sup>60</sup> University of Glasgow (2015), Analysis of the Impact and Value of Community Benefit Clauses in Procurement, <http://eprints.gla.ac.uk/109821/1/109821.pdf>

<sup>61</sup> Procurement Reform (Scotland) Act 2014, <https://www.legislation.gov.uk/asp/2014/12/section/9>



We found that a large proportion of public bodies (60, 52%) provided only minimal detail about how they were promoting environmental wellbeing through their procurement activity (please see Appendix 3). While this lack of detail in reports may not necessarily indicate a lack of action, and may reflect under-reporting, more detailed discussions with key informants and case studies suggest this is an area where organisations require additional support to fulfil their duties more effectively.

We return to the issues of support needs and how these may be addressed later in this report.

Many public bodies showed how they addressed environmental wellbeing through including details of the organisation's overarching policy statement regarding environmental wellbeing. For example, "Procedures are in place to ensure that consideration of environmental, social and economic issues and benefits is made, where appropriate, on a contract-by-contract basis"<sup>62</sup>, or a similar iteration of this phrase, was the most commonly used blanket policy statement in reports. However, some public bodies struggled to provide information beyond the policy statement. They did not include more specific detail, such as how much weight is placed on consideration of environmental wellbeing when awarding contracts, or specific evidence of how the public body has implemented actions to address environmental wellbeing.

For example, Fife Council provided extensive details of its policy related to environmental wellbeing and climate change. An excerpt from its 2018-19 annual procurement report is included below<sup>63</sup>.

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

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

Fife Council's Procurement Strategy acknowledges the national legislative framework for sustainable public procurement in Scotland. To aid the Council achieving its aim of 'Inclusive Growth' (Fife's Economic Strategy 2017-2027), the Council, through its procurement activities will incorporate the Sustainable Procurement Duty into its processes and consider prior to defining procurement requirements. Fife Council shall consider/support:

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<sup>62</sup> Edinburgh College, Annual Procurement Report, 2018-19, <http://doc.edinburghcollege.ac.uk/procurement/annual%20procurement%20report.pdf>

<sup>63</sup> Fife Council, Annual Procurement Report, 2018-19, [http://publications.fifedirect.org.uk/c64\\_AnnualProcurementReport2018-2019FINAL1.pdf](http://publications.fifedirect.org.uk/c64_AnnualProcurementReport2018-2019FINAL1.pdf)

- the use of whole life cost where appropriate;
- the use of Sustainable Procurement Duty Tools that aid the prioritisation of sustainability to achieve maximum benefits within all regulated procurements and also to prioritise and focus on those categories of spend that offer the greatest potential sustainable outcomes;
- the use of the Scottish Government Flexible Framework Self-Assessment Tool (FFSAT) to ascertain the level of performance of sustainable procurement across the Council. This tool will provide a clear action plan that will set out how, and by when, improvements in sustainable procurement will be made;
- the environmental impact of construction projects as appropriate, including specifying high Building Research Establishment Environmental Assessment Methodology (BREEAM) ratings for sustainable design and construction;
- encourage recycling and reuse of materials through waste management plans in order to minimise waste to landfill;
- the use of low energy equipment and environmentally friendly chemicals;
- maximise use of materials from sustainable sources in accordance with government buying standards, and
- corporate initiatives/working groups in relation to the sustainability agenda where supplies/services are relevant and undertake any associated procurement activity, e.g. elimination of single use plastics.

The procurement function has established a workstream to support Sustainable Procurement activity with scope and actions to formalise and embed the above throughout the Council.

## Climate change and waste

Many organisations included a specific section addressing climate change, which often included new policies or contracting initiatives to reduce waste. Many public bodies referred to new policies which sought to reduce greenhouse gas emissions, increase use of renewable energy products, increase percentage of reused and recycled materials, and reduce waste to landfill.

Some public bodies reported on specific initiatives they have introduced in their procurement process to reduce waste and energy usage. Examples of these include:

- change in waste contract which produced significant reductions in emissions, with non-recyclable waste streams sorted prior to energy recovery, rather than being sent to landfill (Public body 2017-18 annual procurement report 2017-18)



- ensuring CO2 emissions are no higher than 110g/km when procuring leases of vehicles<sup>64</sup>
- contracting facilities management provider that uses environmentally certified and phosphate-free Ecolab cleaning materials, delivered as super-concentrates to reduce plastic waste and transport<sup>65</sup>
- including a requirement for all furniture and window coverings to be sourced in an environmentally responsible nature, with all furniture to be from sustainable sources<sup>66</sup>
- reducing the use of single use plastics in catering outlets, including cutlery and straws<sup>67</sup>
- the use of low energy equipment including alternative fuelled vehicles and LED street lighting<sup>68</sup>

The following example shows how the Scottish Prison Service has contracted a waste carrier that provides closed loop recycling to maximise waste reduction:

“SPS’s contracted waste carrier (ENVA) provides various containers to support waste streaming. ENVA provides closed loop recycling & reporting to the SPS Sustainability Manager to support SPS’s climate change reporting around the end use of materials. ENVA is committed to maximising recycling of the different waste streams generated:

- General/Residual waste materials: Bulked & processed as Refuse Derived Fuel (RDF) to MVV and EEW Energy
- Glass: Collected & processed into pellets or ground glass sand to be used in flooring or construction
- Wood: Wood is processed through the ENVA timber recycling plant where materials chipped and sold on to make biofuel briquettes or sent for the manufacture of MDF
- Metals: Metals are segregated and then processed as a commodity
- Green Waste: Is bulked and then sent for composting to Buchley Eco or GP Environmental
- Dry Mixed Recyclables (DMR): Segregated at each geographical location bulked and sold directly as commodities
- Food Waste: Processed for anaerobic digestion through Energen Biogas<sup>69</sup>.

<sup>64</sup> Hanover Housing Association, Annual Procurement Report, 2017-18, <https://www.hanover.scot/wp-content/uploads/2018/08/Annual-Procurement-Report-2017-2018.pdf>

<sup>65</sup> Scottish Public Pensions Agency, Annual Procurement Report, 2018-19, <https://pensions.gov.scot/sites/default/files/2019-09/Strategy%20Report%2018-19%20v1.0%20-%20Final.pdf>

<sup>66</sup> Hanover Housing Association, Annual Procurement Report, 2017-18, <https://www.hanover.scot/wp-content/uploads/2018/08/Annual-Procurement-Report-2017-2018.pdf>

<sup>67</sup> NHS Greater Glasgow & Clyde, Annual Procurement Report, 2017-18, [https://www.nhsggc.org.uk/media/251169/nhsggc\\_procurement\\_annual\\_report\\_jan17-mar18.pdf](https://www.nhsggc.org.uk/media/251169/nhsggc_procurement_annual_report_jan17-mar18.pdf)

<sup>68</sup> Fife Council, Annual Procurement Report, 2018-19, [http://publications.fifedirect.org.uk/c64\\_AnnualProcurementReport2018-2019FINAL1.pdf](http://publications.fifedirect.org.uk/c64_AnnualProcurementReport2018-2019FINAL1.pdf)

<sup>69</sup> Scottish Prison Service, Annual Procurement Report, 2018-19, <https://www.sps.gov.uk/Corporate/Publications/Publication-6549.aspx>

Many public bodies have had some success in addressing climate change and waste reduction aspects of environmental wellbeing, with some being recognised for their commitment. For example, a public body reported in 2017-18 that it was awarded the Carbon Trust Triple Standard award in recognition of its achievements in cutting carbon emissions, water use and waste. It had reduced its carbon footprint by 1,670 tonnes since 2011. Another public body, NHS National Procurement has been recognised internationally by the UN Conference on Sustainable Production for its new plastic measures. The replacement of 60ml pots with 30ml pots resulted in reduction of virgin plastic consumption by approximately 12 tonnes<sup>70</sup>.

There has been a clearer political drive to address climate change recently. This may account for public bodies taking more extensive action in this area than before and including more information about this issue in their annual procurement reports. This suggests that where political drive is greater, more action results. A number of interviewees felt strongly that this is the case.

### **Community benefits addressing environmental wellbeing**

Public bodies also addressed environmental wellbeing through community benefit requirements. Many public bodies included a policy statement that environmental wellbeing would be included as a general consideration under community benefits requirements for procurements over £4 million.

Twenty-eight public bodies (31%) reported including community benefit requirements related to environmental wellbeing in contracts awarded in 2018-19. A few examples are below:

- the contractor on Transport Scotland's A737 Dalry Bypass project used electric and low emission vehicles - "this is the first time these have been used on a major road construction contract in Scotland". In addition, the contractor re-used around 84% of the materials it excavated to construct the road and embankments<sup>71</sup>
- a community benefit requirement included in National Records of Scotland's Facilities Management contract resulted in the development of a biodiversity garden<sup>72</sup>
- NHS Ayrshire & Arran reported several contracts that included requirements to help the health board use more renewable sources of energy<sup>73</sup>

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<sup>70</sup> NHS National Procurement, Annual Procurement Report, 2017-18, [https://www.nhsscotlandprocurement.scot.nhs.uk/media/12984/np\\_procurement\\_report\\_july2018\\_v1.0.pdf](https://www.nhsscotlandprocurement.scot.nhs.uk/media/12984/np_procurement_report_july2018_v1.0.pdf)

<sup>71</sup> Transport Scotland, Annual Procurement Report, 2018-19, <https://www.transport.gov.scot/media/46776/transport-scotland-annual-procurement-report-2019.pdf>

<sup>72</sup> National Records of Scotland, Annual Procurement Report, 2017-18, <https://www.nrscotland.gov.uk/files/about-us/procurement/nrs-annual-procurement-report-2017-18.pdf>

<sup>73</sup> NHS Ayrshire & Arran, Annual Procurement Report, 2017-18, <https://www.nhsaaa.net/services-a-to-z/procurement/>

- a clause associated with Robert Gordon University’s contract for nursery services requires the contractor to promote environmental wellbeing in a number of ways, including increasing environmental awareness among the children in the nursery<sup>74</sup>

Many universities and colleges included the same blanket policy statement on community benefit requirements to address environmental wellbeing aspect of the Duty. The policy statement is as follows:

“For every procurement over £4m, the University of Aberdeen considers how it can improve the economic social or environmental wellbeing of its local area through inclusion of community benefit requirements, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement” (public body annual procurement report, 2017-18)

### Addressing environmental wellbeing through the supply chain

Some organisations also addressed environmental wellbeing through demonstrating a commitment to an ethical supply chain. Most universities and colleges, for example, referred to a requirement for all contractors to adhere to the APUC Supply Chain Code of Conduct and Sustain<sup>75</sup> (APUC’s supply chain sustainability web portal). For example, one university explained how it uses the code of conduct in its 2017-18 annual procurement report:

“Procedures are in place to ensure that consideration of environmental, social and economic issues and benefits are made, where appropriate, on a contract-by-contract basis during the planning stage, utilising tools including APUC’s Supply Chain Code of Conduct, and Sustain... Current and potential suppliers are asked to acknowledge their compliance with the principles of the APUC Supply Chain Code of Conduct with respect to their organisation and their supply chain”

APUC itself also reported that they had worked with their Heads of Category and together published Responsible Supply Chain Category Guides in late 2017, which included guidance around carbon reduction and sustainable procurement.<sup>76</sup>

### Challenges in implementing the environmental wellbeing aspect of the Duty

There is extensive advice and support available from the Scottish Government on implementing the environmental wellbeing aspect of the Duty, including the statutory guidance associated with the Duty and the Scottish sustainable procurement tools. This includes a suite of guidance covering a wide range of environmental considerations

<sup>74</sup> Robert Gordon University, Annual Procurement Report, 2017-18, <https://www3.rgu.ac.uk/about/schools-and-departments/administration-and-support/procurement>

<sup>75</sup> APUC, Sustain Supply Chain Sustainability Web Portal, [https://www.apuc-scot.ac.uk/?p=working&\\_escaped\\_fragment\\_=/Sustain](https://www.apuc-scot.ac.uk/?p=working&_escaped_fragment_=/Sustain)

<sup>76</sup> APUC, Annual Procurement Report, 2017-18, <https://www.apuc-scot.ac.uk/docs/corporateinfo/2018%20PRA%20Annual%20Procurement%20Report%20Jan%202017%20to%20July%202018.pdf>

including climate change adaptation, vehicle emissions, waste production, materials security and scarcity, and biodiversity.<sup>77</sup> Individual procurement centres of expertise also provide support and guidance for public bodies in achieving environmental benefits.

During interviews though, many raised concern over how a lack of clarity around what is expected in addressing environmental wellbeing has led to varying interpretations by both vendors and suppliers. They felt that more direction was needed from the Scottish Government. While this might indicate a lack of awareness of the guidance that is already available, many interviewees stated that without more specific and practical guidance as to how environmental wellbeing should be addressed, organisations will simply include vague requirements for environmental wellbeing in tender documents to “tick the box”. They stated that this only pays lip-service to the Duty and is not effective in embedding the Duty as a core part of the procurement process that is understood by both vendors and suppliers.

One interviewee stated that the environmental aspect of the Duty was not relevant at the moment as their procurements for the year were mostly contract extensions for services, not purchases of items with environmental impact, such as vehicles. Another interviewee stated that they still operated in a diesel-based economy and that it would take much longer to prioritise climate and environmental considerations due to the large infrastructure changes which will be required. They also stated that it would take a while for suppliers to adequately address the Duty as “local firms are not fully aware of what it all means for them” and what they should be including in their bids. This was reinforced by a survey respondent, who noted that “tenderers often struggle with responses” on questions around environmental wellbeing.

In the next section, we discuss how public bodies are addressing fair work practices and payment of the real Living Wage, promoting equality and tackling inequality through procurement.

## **Fair Work**

The Scottish Government expects public bodies to promote fair work practices in all relevant procurement processes while ensuring the appropriate balance between quality and cost of the contract, including the impact of cost on working conditions.<sup>78</sup> The Fair Work Framework launched by the Fair Work Convention in 2016, endorsed by Scottish Government, sets out the different dimensions of fair work that employers should adopt. The five dimensions are security, respect, opportunity, fulfilment and effective voice.<sup>79</sup>

### **Types of action taken by public bodies**

The types of action taken by public bodies in 2018-19 to promote fair work practices was similar to that reported in 2017-18. Many public bodies only provided a policy statement or

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<sup>77</sup> Scottish Government, Sustainable Procurement Guidance, <https://www.gov.scot/collections/sustainable-procurement-guidance/>

<sup>78</sup> Scottish Government (2018), Addressing fair work practices, including the Real Living Wage, in Procurement: Best Practice, <https://www.gov.scot/publications/addressing-fair-work-practices-including-real-living-wage-procurement-best/>

<sup>79</sup> Fair Work Convention, <https://www.fairworkconvention.scot/>

statement of confirmation in their annual reports. Many of the universities and colleges referred to similar policies, such as "Where appropriate and proportionate, fair work practices will be evaluated as part of the tender process, with areas such as zero-hours contracts and payment of the real/national Living Wage being taken into consideration" (public body annual procurement report, 2017-18) or some similar iteration of this phase.

Other examples included in the 2018 annual procurement reports include:

"Relevance of fair work practices is considered for all regulated procurements"<sup>80</sup> (City of Edinburgh Council)

"We have promoted the Living Wage and the adoption of fair work practices in all our regulated procurement activities and a number of our suppliers have obtained Living Wage Accreditation during the year" (public body annual procurement report, 2017-18)

Some public bodies addressed fair work practices through their tendering process, such as including fair work practices as an evaluation criterion or by issuing an equality and diversity questionnaire to suppliers. Data published by 85 public bodies (77%) as part of their 2018-19 annual procurement reports indicates that 36% of regulated contracts awarded by those 85 bodies in 2018-19 included a scored fair work criterion. Some examples from annual procurement reports are below:

"[The public body] has included corporate and social responsibility factors in the tender evaluation criteria in order to recognise employers who pay the real Living Wage, employ local people through apprenticeship schemes and/or are involved with local charities" (public body annual procurement report, 2017-18)

"[The public body] became an accredited Living Wage employer in April 2016. As part of this accreditation we made the commitment to develop our understanding of fair work practices, including payment of the Living Wage in our supply chain. To this end we include questions on the approach to fair work when engaging with prospective suppliers for services. We re-tendered our seasonal operational support services during 2017 and have been successful in agreeing payment of the Living Wage to all workers under this contract" (public body annual procurement report, 2017-18)

"Invitations to Tender require all potential suppliers to complete a comprehensive Equality and Diversity questionnaire, as a mandatory requirement. Organisations which are awarded contracts are expected to comply with all current fair work practices, equality and diversity legislation and actively adopt equalities of employment and service delivery (as specified in the Suppliers' Guide). All staff members are required to complete Essential Learning in Equality and Diversity on appointment" (public body annual procurement report, 2017-18)

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<sup>80</sup> City of Edinburgh Council, Annual Procurement Report, 2017-18, <https://www.edinburgh.gov.uk/downloads/file/25914/procurement-annual-report-2018>



## The real Living Wage

The Scottish Government considers the payment of the real Living Wage to be a significant indicator of an employer's commitment to fair work practices<sup>81</sup> (falling under the 'Security' dimension of the Fair Work Framework) and that payment of the real Living Wage is one of the clearest ways an employer can demonstrate that it takes a positive approach to its workforce.

### Types of action taken by public bodies

In their annual reports, many public bodies only included a brief statement confirming that they comply with this element of the Duty or that they encourage and support the payment of the real Living Wage. In many reports, public bodies included a statement that they have become a Living Wage employer, for example "Fife College has gained accreditation as a Living Wage Foundation Employer during this reporting period which also ensures on-site contractors (catering & cleaning) are paid in line with the Living Wage Foundation rates, updated annually in November"<sup>82</sup> or that they are in the process of becoming accredited. Further examples are given below:

"The SFRS became a Living Wage Employer during the reporting period and the Service recognises the value of a well-motivated and dedicated workforce both within SFRS and those organisations which provide goods, services and works to the Service"<sup>83</sup> (Scottish Fire and Rescue Service)

"SRUC is committed to contracting only with suppliers that comply with all appropriate and relevant legislation. Where appropriate, and on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with it e.g. Health and Safety, Equality and Late Payment legislation. SRUC is a Living Wage employer, and therefore, where relevant and proportionate the Living Wage and fair work practices of suppliers are promoted in tender documentation"<sup>84</sup> (Scotland's Rural College)

"The University of Glasgow is proud to be an Accredited Living Wage employer. This means:

We are committed to paying all employees at least the Living Wage.

We ensure that all casual workers engaged directly by the University are paid at least the Living Wage.

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<sup>81</sup> Scottish Government (2018), Addressing fair work practices, including the Real Living Wage, in Procurement: Best Practice, <https://www.gov.scot/publications/addressing-fair-work-practices-including-real-living-wage-procurement-best/>

<sup>82</sup> Fife College, Annual Procurement Report, 2017-18, <https://www.fife.ac.uk/media/2220/annual-report-2016-18-fife-college-100918.pdf>

<sup>83</sup> Scottish Fire and Rescue Service, Annual Procurement Report, 2017-18, [https://www.firescotland.gov.uk/media/1332285/sfrs\\_procurement\\_annual\\_report\\_jan\\_2017\\_march\\_2018\\_for\\_publication.pdf](https://www.firescotland.gov.uk/media/1332285/sfrs_procurement_annual_report_jan_2017_march_2018_for_publication.pdf)

<sup>84</sup> Scotland's Rural College, Annual Procurement Report, 2017-18, [https://www.sruc.ac.uk/downloads/download/719/sruc\\_procurement\\_strategy\\_and\\_policy](https://www.sruc.ac.uk/downloads/download/719/sruc_procurement_strategy_and_policy)

We have set up our procurement procedures to ensure that we engage with contractors and potential contractors to encourage them, as far as possible, to also pay the Living Wage to people regularly working on our premises"<sup>85</sup> (University of Glasgow)

Most health bodies referred to the real Living Wage with the same or similar statements. For example, "NHS Lothian Procurement will work with suppliers through contracting and relationship management to look for opportunities for its suppliers to implement the Living Wage within their staff structures. To guide this work, NHS Lothian developed a Workforce Matters Procurement Policy."<sup>86</sup>

As was the case in relation to addressing fair work practices, some public bodies have adapted their tendering documentation to promote the payment of the real Living Wage. For example Scottish Enterprise asks tenderers to complete an "information appendix" that "requires suppliers to make a declaration in respect to real Living Wage, zero hours contracts and whether they are Scottish Business pledge accredited."<sup>87</sup>

Data submitted by public bodies as part of their 2018-19 annual procurement report<sup>88</sup> shows that, based on a combined total of suppliers engaged by public bodies:<sup>89</sup>

- 23% of suppliers committed to pay the real Living Wage in the delivery of a regulated contract awarded during 2018-19 (based on data from 68 public bodies (62%))
- 7% of suppliers awarded a place on a regulated contract in 2018-19 were accredited Living Wage employers (based on data from 66 public bodies (60%)) and
- 8% of suppliers awarded a place on a regulated contract in 2018-19 had signed up to the Scottish Business Pledge (based on data from 55 public bodies (50%))

## Fairly and ethically traded goods

The Scottish Government expects public bodies to have appropriate standards for its organisation and its supply chain regarding legal, ethical and social issues. A public body must take all reasonable steps to ensure that all goods supplied under a

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<sup>85</sup> University of Glasgow, Annual Procurement Report, 2017-18, [https://www.gla.ac.uk/media/Media\\_623049\\_smx.pdf](https://www.gla.ac.uk/media/Media_623049_smx.pdf)

<sup>86</sup> NHS Lothian, Annual Procurement Report, 2017-18, <https://org.nhslothian.scot/Procurement/SupplierInformation/Documents/NHS%20Lothian%20Annual%20Procurement%20Report%202018%20V1.0.pdf>

<sup>87</sup> Scottish Enterprise, Annual Procurement Report, 2017-18, <https://www.scottish-enterprise.com/media/1751/se-annual-report-2017-18.docx>

<sup>88</sup> Direct comparisons between data related to Living Wage and the Scottish Business Pledge provided in annual procurement reports published in 2018-19 and those published in 2017-18 are not possible. In 2018-19, public bodies were asked to provide quantitative data on a data template. In 2017-18, public bodies were not asked to complete a data template, so data related to these issues was not provided consistently, and this limits the conclusions that can be drawn.

<sup>89</sup> When we refer to the percentage of suppliers here, we have made our calculations using data submitted by individual public bodies. It should be noted, however, that there may be some duplication of suppliers across the public bodies, therefore the actual percentage of unique suppliers may be different to the figures reported.

contact/framework agreement “are produced in accordance with all International Labour Organisation (ILO) conventions that have been ratified by the country of their origin, in particular, in relation to labour standards, working conditions and the use of child labour”.<sup>90</sup>

## Types of action taken by public bodies

To demonstrate the use of ethical supply chains, some public bodies provided a policy statement in their annual report. In many reports this is the only information the public bodies provided with no further details.

“Procedures are also in place to ensure that regulated procurements are only awarded to businesses that are capable, reliable and, where relevant, meet high ethical standards and values in the conduct of their business”<sup>91</sup> (Abertay University)

“Ensure that supply chain conditions and the potential for worker exploitation are taken into account where appropriate and mitigate risk through rigorous contract management” (public body annual procurement report, 2017-18)

“Where relevant, tender specifications make use of appropriate standards and labels to ensure fair and ethical trading is a consideration in suppliers’ offers”<sup>92</sup> (Scotland’s Rural College)

“Where ethically traded goods and services are available, the Council will work with all relevant stakeholders and take a Best Value approach when applying fair and ethically trading principles in procurement activities”<sup>93</sup> (South Ayrshire Council)

“NES has established a Sustainability Code of Practice, which aligns to the Ten Principles of the United Nations Global Compact for Responsible Business Practice. This is made available to all staff and suppliers on the NES website”<sup>94</sup> (NHS Education for Scotland)

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<sup>90</sup> Scottish Government, Worker Conditions: Sustainable Procurement Guidance, <https://sustainableprocurementtools.scot/index.cfm/guidance/fairly-and-ethically-traded/worker-conditions/>

<sup>91</sup> Abertay University, Annual Procurement Report, 2017-2018, <https://www.abertay.ac.uk/media/5946/abertay-university-annual-procurement-report-jan-2017-july-2018.pdf>

<sup>92</sup> Scotland’s Rural College, Annual Procurement Report, 2017-18, [https://www.sruc.ac.uk/downloads/download/719/sruc\\_procurement\\_strategy\\_and\\_policy](https://www.sruc.ac.uk/downloads/download/719/sruc_procurement_strategy_and_policy)

<sup>93</sup> South Ayrshire Council, Annual Procurement Report, 2017, <https://www.south-ayrshire.gov.uk/procurement/publications/annual%20procurement%20report%202017.pdf>

<sup>94</sup> NHS Education for Scotland, Annual Procurement Report, 2017-18, <https://www.nes.scot.nhs.uk/about-us/procurement/annual-procurement-report.aspx>



Universities and colleges referenced using the APUC Supply Chain Code of Conduct in order to ensure the use of ethical supply chains. Two examples of these are given below:

“All suppliers to contracts let by Procurement are required to agree to the APUC Supply Chain Code of Conduct. The code requires suppliers to operate in an environmentally, socially, ethically and economically responsible manner and covers specific areas such as employee working conditions, the eradication of corruption and bribery in the supply chain as well as ensuring the supplier’s operations have minimal impact on the environment” (public body annual procurement report, 2017-18)

“Where appropriate, we include social and environmental criteria in our tender processes. We use the APUC Supply Chain Code of Conduct where suppliers are required to confirm that they, and their supply chains, do not use forced, involuntary or underage labour, that they do provide suitable working conditions and terms and treat employees fairly” (public body annual procurement report, 2017-18)

The following example shows the steps the Forestry Commission took to incorporate the Scottish Government’s sustainable procurement tools into their procurement process to ensure ethical trading.

“In order to ensure proportionate application of ethical trading standards by our suppliers we will ensure we consider the use of lifecycle costing where this is relevant and proportionate to do so. We will complete a Life Cycle Impact mapping exercise before any regulated tender process. We will incorporate contract conditions to our terms and conditions to ensure suppliers comply with relevant environmental, social and employment law”<sup>95</sup>

Given the relatively low number of public bodies that referenced ethical supply chains in their annual procurement reports, this suggests that there remains room for improvement. However it is not possible for us to identify whether the gap is in information provided in reports or whether there are gaps in practice. This may be something to explore with public bodies in future years.

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<sup>95</sup> Forestry Commission, Annual Procurement Report, 2017-18, <https://forestryandland.gov.scot/images/researchandresources/procurement/Annual-Procurement-Report-2017-2018-Forest-Enterprise-Scotland.pdf> .

# Chapter 3: Involving small and medium enterprises, third sector bodies and supported businesses

The Duty requires contracting authorities to consider how its procurement process can facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses, linked closely to the Duty to improve economic wellbeing, discussed in the previous chapter.

In defining each element of this part of the Duty, the Scottish Government's guidance establishes that:

- SMEs are businesses with no more than 250 employees
- third sector includes community groups, voluntary organisations, charities, social enterprises, co-operatives and individual volunteers that exist wholly or mainly to provide benefits for society or the environment, and
- supported businesses: competition may be limited to only those organisations defined by regulation 21 of the Public Contracts (Scotland) Regulations 2015;<sup>96</sup> these are commonly referred to as supported businesses.

There are also several provisions in the Act that contribute to enabling the involvement of SMEs, third sector bodies and supported businesses, such as transparency and simplicity.

## Transparency

A key aspect of the Duty is to increase the transparency of procurement activity to economic operators.<sup>97</sup> Within the Act, there are several legislative frameworks that complement this aim. For example, section 15 details how authorities must detail how they intend to carry out regulated procurements.

Evidence from our analysis of annual procurement reports suggests that public bodies are now providing more information about how they are achieving the principle of transparency than previously. In 2017-18, 63% of public bodies (72) provided evidence of transparency in their annual procurement reports, but this figure increased to 75% (82) in 2018-19. Public bodies described using a range of methods to achieve transparency, including:

- publishing a public contracts register
- advertising via Public Contracts Scotland

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<sup>96</sup> Public Contracts (Scotland) Regulations 2015, <https://www.legislation.gov.uk/ssi/2015/446/regulation/21>

<sup>97</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

- providing expenditure data and segmentation analysis online via the Scottish Procurement Information Hub
- clearly stating the requirements of contracts in all tenders
- updating corporate websites to improve ease of access to information about procurement

During the procurement process, contracting authorities must consider several factors, such as the use of supported businesses, the appropriateness of community benefits requirements and innovation. The Duty emphasises the importance of considering these mechanisms to encourage participation by smaller businesses.<sup>98</sup>

To inform this chapter, we analysed information on the approaches taken to meet this element of the Duty through annual procurement reports submitted by public bodies and gathered further feedback through our survey of public bodies, and interviews with selected organisations.

## Involving small and medium-sized enterprises (SMEs)

The Duty places a requirement on public bodies to take steps to facilitate the involvement of SMEs in regulated procurement activity.

### Types of action taken by public bodies

Almost all respondents (32, 97%) to our survey of public bodies agreed or strongly agreed that their public body facilitates the involvement of SMEs through its procurement activities, with only one (3%) disagreeing in relation to regulated procurements.

In order to demonstrate how they are addressing this element of the Duty, many public bodies provided a policy statement or statement of confirmation in their annual reports. In many reports, and in line with many public bodies' approach to reporting on other aspects of the Duty, this is the only information the public bodies provided and did not provide further detail of how they actioned this element of the Duty.

“Whilst developing contract plans UWS will give consideration to... selecting a procurement route which encourages participation from local businesses, SMEs, third sector organisations, Social Enterprises and supported businesses”<sup>99</sup> (University of the West of Scotland)

“The Council’s Contract Standing Orders requires officer to consider how in the procurement process for regulated procurements that they can facilitate the involvement of SMEs, third sector bodies and supported businesses in the process”<sup>100</sup> (Highland Council)

<sup>98</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

<sup>99</sup> University of the West of Scotland, Annual Procurement Report, 2017-18, <https://www.uws.ac.uk/media/4706/uws-annual-procurement-report-16th-october-2018.pdf>

<sup>100</sup> Highland Council, Annual Procurement Report 2017-18, [https://www.highland.gov.uk/downloads/file/19617/the\\_highland\\_council\\_procurement\\_annual\\_report\\_fy17-18](https://www.highland.gov.uk/downloads/file/19617/the_highland_council_procurement_annual_report_fy17-18)

“Improved access to procurement opportunities for local suppliers, SMEs, supported businesses and the third sector”<sup>101</sup> (Falkirk Council)

“We are committed to making public procurement open and accessible to businesses and especially small and medium sized enterprises (SMEs), the third sector and supported businesses”<sup>102</sup> (Scottish Social Services Council)

A number of common means of facilitating the access of SMEs emerged from our analysis of the procurement annual reports. These included:

- using PCS and Quick Quotes
- changes being made to tendering processes
- the use of lotting
- attending or hosting events
- the use of community benefits requirements in contracts

Many public bodies referred to using PCS and Quick Quotes in order to increase transparency and promote SME involvement in their tendering processes. Commonly, organisations will advertise contracts on PCS if the procurement is over a certain value. One public body states in its 2017-18 annual procurement report: “We are committed to making public procurement open and accessible to businesses and especially small and medium size enterprises (SMEs). All tender opportunities greater than £25,000 are advertised on the Public Contracts Scotland (PCS) advertising portal and in the Official Journal of the European Union where required”.

Quick Quotes are regularly used to specifically target SMEs, for example “ensuring Small and Medium-sized Enterprises (SMEs) are provided targeted opportunities as standard within our Quick Quote process (Supplies and Services under £50,000, Works under £500,000)”.<sup>103</sup>

Some organisations referred to using the process of lotting in order to facilitate the involvement of SMEs. Below are a number of examples included in the 2017-18 annual procurement reports:

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<sup>101</sup> Falkirk Council, Annual Procurement Report, 2017-18, <https://www.falkirk.gov.uk/services/council-democracy/policies-strategies/procurement/docs/Annual%20Procurement%20Report%202017%20to%202018.pdf?v=201910291602>

<sup>102</sup> Scottish Social Services Council, Annual Procurement Report, 2017-18, <https://www.sssc.uk.com/knowledgebase/article/KA-02760/en-us>

<sup>103</sup> North Lanarkshire Council, Annual Procurement Report, 2017-18, <https://www.northlanarkshire.gov.uk/CHttpHandler.ashx?id=22227&p=0>

“Contracts are lotted appropriately to support SMEs bid for goods, services and works aligned to their business model and to support our local supply chain deliver best value for the council”<sup>104</sup> (City of Edinburgh Council)

“Where appropriate, we use Geographic Lotting in National Frameworks to increase participation opportunities for SMEs throughout Scotland. Also, we give full consideration in Commodity Strategies to where disaggregation into smaller lots may encourage participation from smaller suppliers”<sup>105</sup> (NHS National Procurement)

Some public bodies also addressed the Duty through making adjustments to their tendering process, such as using a standardised template to ensure simplicity or through implementing a new system. For example, a public body reported in 2017-18 that it “delivered on this commitment by implementing a Dynamic Purchasing System, the first one of its kind in Scotland. This has been a successful introduction of a new way to market and has allowed us to issue multiple tenders in a very short timescale to a wide range of suppliers”. There is perhaps a need, however, for public bodies taking this approach to demonstrate how using a Dynamic Purchasing System facilitates the involvement of SMEs.

Events, such as Meet the Buyer, are commonly held in order to promote understanding and encourage SME involvement. For example, City of Edinburgh Council reported that “Meet the Buyer events attended each year and hosting of contract specific events to ensure potential SMEs and the Council deliver best value through a better understanding of project and procurement process”.<sup>106</sup> Below are three further examples of ways in which organisations are facilitating the involvement of SMEs through programmes and events:

“Historic Environment Scotland has undertaken supplier engagement activities over the past year to encourage suppliers to get in touch with our business areas to see what opportunities may be available to them. These have focussed on small and medium sized businesses and the feedback has been quite positive with many of the suppliers we talked to were unaware of the wide range of activities that HES is involved in. With our delegated system of purchasing and regional offices acting as discrete operational units it has made sense to retain some of the historical groupings for some requirements e.g. grounds maintenance which is procured as regional clusters of monuments. This can encourage a range of SMEs to bid for business appropriate to their capacity, specialism and location”<sup>107</sup>. (Historic Environment Scotland)

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<sup>104</sup> City of Edinburgh Council, Annual Procurement Report, 2017-18,  
<https://www.edinburgh.gov.uk/downloads/file/25914/procurement-annual-report-2018>

<sup>105</sup> NHS National Procurement, Annual Procurement Report, 2017-18,  
[https://www.nhsscotlandprocurement.scot.nhs.uk/media/12984/np\\_procurement\\_report\\_july2018\\_v1.0.pdf](https://www.nhsscotlandprocurement.scot.nhs.uk/media/12984/np_procurement_report_july2018_v1.0.pdf)

<sup>106</sup> City of Edinburgh Council, Annual Procurement Report, 2017-18,  
<https://www.edinburgh.gov.uk/downloads/file/25914/procurement-annual-report-2018>

<sup>107</sup> Historic Environment Scotland, Annual Procurement Report, 2017-18,  
<https://www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=79840e93-c6a3-43b0-85dd-a99200f342c8>

"The Hillcrest Group is fully committed to supporting SMEs. A number of training opportunities were recently facilitated by Hillcrest and delivered by SFHA and Supplier Development Scotland to SMEs, providing advice and guidance on their engagement with the procurement process. A number of events have been held within head office for contractors to attend, to support a new approved contractor process"<sup>108</sup> (The Hillcrest Group)

"From a supplier's perspective, we have become members of the Supplier Development Programme (SDP) which offers free training, advice and information to SME's and the third sector"<sup>109</sup> (Highlands and Islands Enterprise)

Twenty-eight public bodies (31%) reported community benefits related to supporting SMEs, social enterprises and/or the third sector in 2018-19 with much of this activity related to events and support designed to enhance the capacity of these organisations. Some examples of activity related to SMEs are listed below:

- a public body reported delivering 90 hours of business support for SMEs through procurement activity in 2017-18
- East Renfrewshire Council provided business mentoring for four SMEs through a primary school construction contract
- another public body's contractors delivered ten workshops for SMEs in 2017-18
- North Lanarkshire Council reported delivering nine business support events for SMEs<sup>110</sup>

Sub-contracting through the supply chain is another way in which SMEs can become involved in public contract opportunities. Sixty-two public bodies (56%) provided information about the value of contracts sub-contracted to SMEs as a result of community benefit requirements in 2018-19 (Figure 3.1). This shows that the total value of contracts sub-contracted to SMEs is £104,710,232 with the central government sector accounting for the largest proportion of this (£73,998,000, 71%).

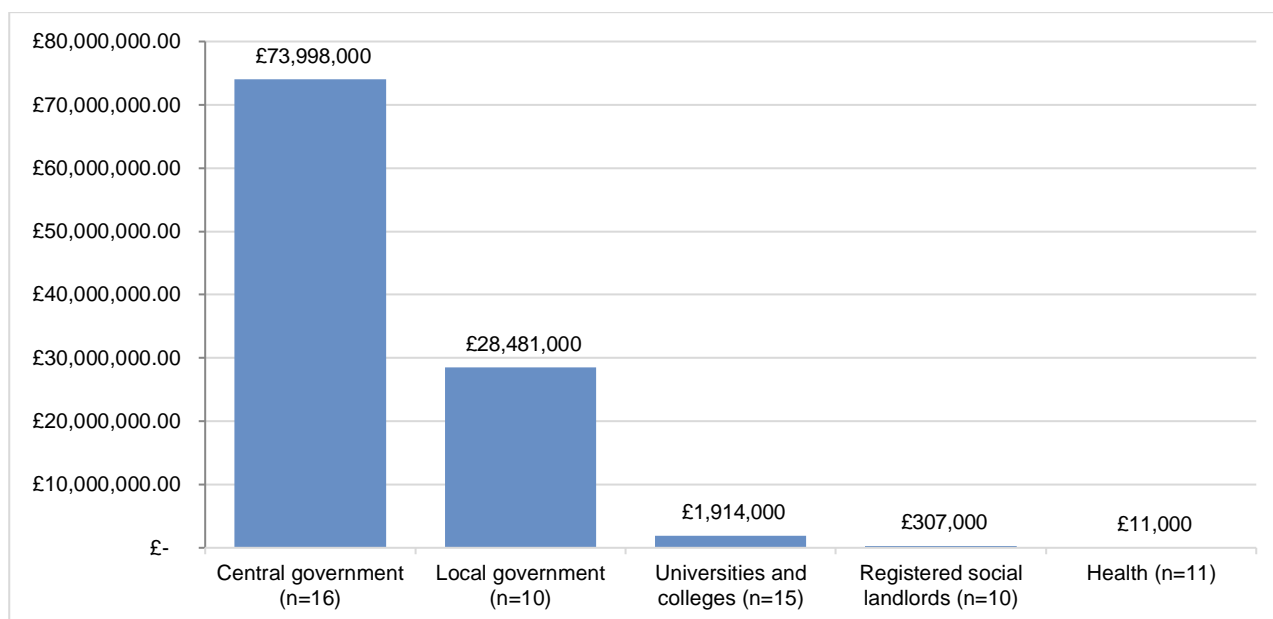
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<sup>108</sup> The Hillcrest Group, Annual Procurement Report, 2017-18, <https://www.hillcrest.org.uk/wp-content/uploads/1/2018/08/Hillcrest-Group-Annual-Procurement-Report-2017-2018.pdf>

<sup>109</sup> Highlands and Islands Enterprise, Annual Procurement Report, 2017-18, <https://www.hie.co.uk/media/7437/hieplusannualplusprocurementplusreportplus2017-plus2018.pdf>

<sup>110</sup> North Lanarkshire Council, Annual Procurement Report, 2017-18, <https://www.northlanarkshire.gov.uk/CHttpHandler.ashx?id=22227&p=0>

Figure 3.1 Total value of contracts sub-contracted to SMEs as a result of community benefit requirements (n=62)



## Involving third sector bodies

The Duty also requires public bodies to facilitate the involvement of third sector bodies in procurement activity.

### Types of action taken to involve third sector bodies

Fifty-seven public bodies (50%) included some reference to facilitating the involvement of third sector bodies in the 2017-18 annual procurement reports; but many public bodies only included a brief statement of their policy within the annual reports. This was frequently limited to statements about their aspirations to involve third sector bodies more. For example:

"[The public body's] aim is to ensure that we work with Contractors to facilitate opportunities for supported businesses and third sector organisations where possible" (public body annual procurement report, 2017-18)

"The Council is committed to supporting and improving access to procurement opportunities for local SMEs, third sector bodies and supported businesses and this contributes to the Council's Procurement Strategy' Implementation"<sup>111</sup> (South Ayrshire Council)

Similarly, a survey respondent noted that their organisation was "actively looking to grow the involvement of the third sector in the procurement process".

<sup>111</sup> South Ayrshire Council, Annual Procurement Report, 2017, <https://www.south-ayrshire.gov.uk/procurement/publications/annual%20procurement%20report%202017.pdf>



Some organisations provide details about more specific actions being taken to facilitate the involvement of third sector bodies into their procurement processes, including the following:

- events and workshops: some public bodies have delivered training to encourage the involvement of third sector bodies in contracts. For example, a public body “offers supplier workshops and engages with third sector interface to help improve knowledge of [the public body’s] procurement processes” (public body annual procurement report, 2018-19). Other public bodies have held or attended events to encourage involvement – for example “Commercial and Procurement Shared Services arranged for a jointly hosted event ‘Supplying to the Public Sector’ in Inverness. The event was hosted by the Council and Partnership for Procurement (P4P)) and was aimed at third sector organisations. Representatives from 16 organisations heard about the impact of the Sustainable Procurement Duty and the practicalities of bidding for public sector contracts”<sup>112</sup>
- supplier development programme (SDP): some public bodies reported that they became a member of the SDP in order to involve third sector bodies (as well as SMEs and supported businesses) in the procurement process. For example, National Records of Scotland “became a member of the Supplier Development Programme (SDP) in 2017 which provides a range of specialist business support activities including the provision of advice, information and training support with the aim of assisting businesses to become more capable of accessing and competing for public sector contracts”<sup>113</sup> and another public body reported engaging with the SPD to help support third sector bodies (and SMEs) “to win contracts”.
- market research: West Dunbartonshire Council conducts market research, seeking out third sector bodies as market participants.<sup>114</sup>

Some public bodies, even those that have already taken steps to engage third sector bodies, acknowledge that more could be done to increase their involvement. For example, Transport Scotland is “investigating ways to further increase community engagement, provide improved community benefits, and further develop its engagement with the third sector and supported businesses”.<sup>115</sup>

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<sup>112</sup> Highland Council, Annual Procurement Report, 2017-18, [https://www.highland.gov.uk/downloads/file/19617/the\\_highland\\_council\\_procurement\\_annual\\_report\\_fy17-18](https://www.highland.gov.uk/downloads/file/19617/the_highland_council_procurement_annual_report_fy17-18)

<sup>113</sup> National Records of Scotland, Annual Procurement Report, 2017-18, <https://www.nrscotland.gov.uk/files/about-us/procurement/nrs-annual-procurement-report-2017-18.pdf>

<sup>114</sup> West Dunbartonshire Council, Annual Procurement Report, 2017-18, <https://www.west-dunbarton.gov.uk/media/4316971/2017-2018-west-dunbartonshire-council-annual-procurement-report-1.pdf>

<sup>115</sup> Transport Scotland, Annual Procurement Report, 2018-19, <https://www.transport.gov.scot/media/46776/transport-scotland-annual-procurement-report-2019.pdf>

## Involving supported businesses

The main aim of supported businesses is to integrate disabled or disadvantaged people socially and professionally. Their workforce must be at least 30% disabled or disadvantaged, as specified in regulation 21 of The Public Contracts (Scotland) Regulations 2015.<sup>116</sup>

The Scottish Government urges public bodies to have at least one contract with a supported business. Competitions for public contracts can be limited to supported businesses where there are enough suitable suppliers. The Scottish Government also encourages private sector companies to buy goods and services from supported businesses by engaging with their own contractors and asking them to consider opportunities to involve supported businesses further down the supply chain. Scottish Government staff also attend events for procurement professionals to raise awareness of opportunities to engage supported businesses, and they encourage public bodies and private companies to consult the Ready for Business directory to identify supported businesses that they could potentially work with.

The Scottish Government developed a supported business framework to make it easier for public bodies to contract with supported businesses. The current framework includes the following goods and services:<sup>117</sup>

- textiles and personal protective equipment
- furniture
- signage
- document management

## Types of action taken to involve supported businesses

As was the case in relation to reporting on the involvement of SMEs and third sector bodies, some public bodies only provided a policy statement to address this element of the Duty. For example, North Lanarkshire Council states that its internal procurement practice is that “consideration be given to inclusion of supported businesses in all Regulated Procurements”<sup>118</sup> and similarly Maryhill Housing Association’s “Procurement Toolkit and Contract Strategy Document requires staff to consider the involvement of supported businesses”.<sup>119</sup> Further examples are given below:

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<sup>116</sup> Public Contracts (Scotland) Regulations 2015, <https://www.legislation.gov.uk/ssi/2015/446/regulation/21>

<sup>117</sup> Scottish Government, Public Sector Procurement, <https://www.gov.scot/policies/public-sector-procurement/sme-access-to-public-contracts/>

<sup>118</sup> North Lanarkshire Council, Annual Procurement Report, 2017-18, <https://www.northlanarkshire.gov.uk/CHttpHandler.ashx?id=22227&p=0>

<sup>119</sup> Maryhill Housing Association, Annual Procurement Report, 2017-18, [https://www.maryhill.org.uk/getattachment/2ebc2cbe-6b78-408d-aeb5-fbec45dfc27f/CEO-Report-Appendix-Annual-Procurement-Report-2017-18-\(1\).pdf.aspx?lang=en-GB](https://www.maryhill.org.uk/getattachment/2ebc2cbe-6b78-408d-aeb5-fbec45dfc27f/CEO-Report-Appendix-Annual-Procurement-Report-2017-18-(1).pdf.aspx?lang=en-GB)

“The involvement of supported businesses is considered in the Council's sourcing strategy for new tenders. Although the Council has not reserved any open or restricted tenders to supported businesses, it has in place a number of contracts with organisations defined as supported by the Ready for Business website and the British Association of Supported Employment”<sup>120</sup> (South Lanarkshire Council)

“Before carrying out a regulated procurement, Fife Council includes consideration of how the procurement process can facilitate the involvement of supported businesses. The involvement of supported businesses is considered at strategy stage”<sup>121</sup> (Fife Council)

“SFRS recognises that the inclusion of supported business in SFRS procurement activity is a key aspect in delivering its Sustainable Procurement Duty and have a clear commitment to this contained within its Procurement Strategy”<sup>122</sup> (Scottish Fire and Rescue Service)

Universities and colleges all provided similar statements on how they facilitated the involvement of supported businesses. Two examples of these are given below:

“For all Procurements, regardless of value, City of Glasgow College’s Procurement Service consider whether the goods or services could be fulfilled by a supported business whilst remaining compliant with EU, Scottish Procurement Legislation and internal Procurement Procedures, and ensuring value for money for the College”<sup>123</sup> (City of Glasgow College)

“The institution reviews each procurement to determine whether it could be fulfilled by a supported business, whilst remaining compliant with EU and Scottish Procurement Legislation and ensuring value for money for the institution (using the only supported business register currently available and published by Ready for Business)”<sup>124</sup> (Abertay University)

Some public bodies detailed in their annual procurement reports that they use the Scottish Government’s Supported Business Framework in order to address this element of the Duty.

<sup>120</sup> South Lanarkshire Council, Annual Procurement Report, 2017-18, [https://www.southlanarkshire.gov.uk/downloads/file/12445/procurement\\_annual\\_report\\_2017-2018](https://www.southlanarkshire.gov.uk/downloads/file/12445/procurement_annual_report_2017-2018)

<sup>121</sup> Fife Council, Annual Procurement Report, 2017-18, [https://www.sdpScotland.co.uk/wp-content/uploads/2015/06/c64\\_AnnualProcurementReport16-17Q4and17-18.pdf](https://www.sdpScotland.co.uk/wp-content/uploads/2015/06/c64_AnnualProcurementReport16-17Q4and17-18.pdf)

<sup>122</sup> Scottish Fire and Rescue Service, Annual Procurement Report, 2017-18, [https://www.firescotland.gov.uk/media/1332285/sfrs\\_procurement\\_annual\\_report\\_jan\\_2017\\_march\\_2018\\_for\\_publication.pdf](https://www.firescotland.gov.uk/media/1332285/sfrs_procurement_annual_report_jan_2017_march_2018_for_publication.pdf)

<sup>123</sup> City of Glasgow College, Annual Procurement Report, 2016-18, <https://www.cityofglasgowcollege.ac.uk/sites/default/files/CoGC%20Annual%20Procurement%20Report%202016-2018.pdf>

<sup>124</sup> Abertay University, Annual Procurement Report, 2017-18, <https://www.abertay.ac.uk/media/5946/abertay-university-annual-procurement-report-jan-2017-july-2018.pdf>

"Through the Scottish Government Supported Business Framework Contract, Scottish Canals has procured a number of items needed for projects" (Scottish Canals)<sup>125</sup>

"We continue to use the Scottish Government's Supported Business and Factory Framework where there is a requirement to purchase goods and services covered by this contract. Registers of Scotland increased its spend within this sector by £37,000 by placing a large number of orders with the Haven Sign Factory and have begun to engage with Haven on a number of other projects" (Registers of Scotland)<sup>126</sup>

"Scottish Enterprise has called off from the Scottish Government Supported Business Framework throughout the 2017-18 financial year and has awarded six contracts through the Framework to various suppliers, and a further six were awarded directly to supported businesses, totalling £156,299. We will continue to promote the use of the framework throughout the organisation and to use supported businesses where appropriate" (Scottish Enterprise)<sup>127</sup>

Other organisations hold or attend events, such as Meet the Buyer or local organisation visits, to encourage the involvement of supported businesses:

"Supported businesses have been engaged with via Meet the Buyer, Procurex and the P4H conference"<sup>128</sup> (NHS Lothian)

"HES has also taken part in the Central Government/Supported Business Procurement Engagement days to facilitate the involvement of supported businesses and we have also reserved one Lot under our Corporate Clothing and PPE tender to supported businesses only"<sup>129</sup> (Historic Environment Scotland)

"We have been raising awareness of supported businesses internally through visits to local area offices and publishing internal guidance documents on the intranet to try and help identify possible supported business within our area. We have also tied in with our Account Managers for them to raise awareness with account managed companies locally. The main aim is to try and encourage consideration of supported businesses before we

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<sup>125</sup> Scottish Canals, Annual Procurement Report, 2017-18, [https://www.scottishcanals.co.uk/corporate/wp-content/uploads/sites/2/2018/07/2017\\_18-Annual-Procurement-Report.pdf](https://www.scottishcanals.co.uk/corporate/wp-content/uploads/sites/2/2018/07/2017_18-Annual-Procurement-Report.pdf)

<sup>126</sup> Registers of Scotland, Annual Procurement Report, 2017-18, [https://www.ros.gov.uk/\\_data/assets/pdf\\_file/0018/100359/RoS-annual-procurement-report-17-18-v1.0.pdf](https://www.ros.gov.uk/_data/assets/pdf_file/0018/100359/RoS-annual-procurement-report-17-18-v1.0.pdf)

<sup>127</sup> Scottish Enterprise, Annual Procurement Report, 2017-18, <https://www.scottish-enterprise.com/media/1751/se-annual-report-2017-18.docx>

<sup>128</sup> NHS Lothian, Annual Procurement Report, 2017-18, <https://org.nhslothian.scot/Procurement/SupplierInformation/Documents/NHS%20Lothian%20Annual%20Procurement%20Report%202018%20V1.0.pdf>

<sup>129</sup> Historic Environment Scotland, Annual Procurement Report, 2017-18, <https://www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=79840e93-c6a3-43b0-85dd-a99200f342c8>

tender as we have the ability to ring-fence contracts for supported businesses"<sup>130</sup>  
(Highlands and Islands Enterprise)

In addition, some organisations provide information on partnerships they have formed to facilitate the involvement of supported businesses.

"SPS works with the British Association for Supported Employment to identify contract opportunities for supported businesses. SPS Procurement, and Enterprise and Employability teams also host a stand at the Procurex National Conference with BASE. They make use of reserved contracts and support use of supported businesses internally. BASE and its members are supportive in providing work placements or employment opportunities for people in or leaving custody"<sup>131</sup> (Scottish Prison Service)

"The Council works closely with Scottish Borders Social Enterprise Chamber (SBSEC) to encourage supported business and other third sector organisations to access Council contract opportunities. This active role allows us to keep members updated with contract and community benefit opportunities"<sup>132</sup> (Scottish Borders Council)

### Number and value of contracts awarded to supported businesses

Twenty-five public bodies (23%) provided clear information in their 2018-19 reports about the number of regulated contracts awarded to supported businesses. These 25 public bodies reported 50 regulated contracts being awarded to supported businesses. Twenty-three provided information in the reporting period that show a spend of around £8.9 million with supported businesses.

In terms of contracts sub-contracted to supported businesses as a result of community benefit requirements, 62 public bodies (56%) provided data in 2018-19. However, 58 of these reported there were no sub-contracts awarded to supported businesses as a result of community benefit requirements. Data provided by the other four public bodies is provided in Table 3.1.

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<sup>130</sup> Highlands and Islands Enterprise, Annual Procurement Report, 2017-18,  
<https://www.hie.co.uk/media/7437/hieplusannualplusprocurementplusreportplus2017-plus2018.pdf>

<sup>131</sup> Scottish Prison Service, Annual Procurement Report, 2017-18,  
<https://www.sps.gov.uk/Corporate/Publications/Publication-6062.aspx>

<sup>132</sup> Scottish Borders Council, Annual Procurement Report 2017-18,  
[https://www.scotborders.gov.uk/downloads/download/960/sbc\\_annual\\_procurement\\_report\\_201718](https://www.scotborders.gov.uk/downloads/download/960/sbc_annual_procurement_report_201718)

Table 3.1: Value of contracts sub-contracted to supported businesses as a result of community benefit requirements

<b>Public Body</b>	<b>Value</b>
Public body 1	£321,669.00
Public body 2	£30,430.00
Public body 3	£10,000.00
Public body 4	£248,000.00
<b>Total</b>	<b>£610,099.00</b>

The percentage of organisations providing information about involving, or considering ways of involving, supported businesses in their procurement processes and opportunities is substantially higher than the percentage doing so in relation to SMEs or third sector bodies. It may be that there is simply a case of under-reporting in relation to SMEs and third sector bodies but, based on survey and interviewee responses, it seems more likely that this is due to a number of factors:

- facilitating the involvement of supported businesses is a minimum requirement within the Procurement Reform (Scotland) Act 2014
- the Supported Business Framework makes it easy for public bodies to contract with supported businesses
- there is clear guidance about the types of contracts to which this applies
- public bodies can limit competition for public contracts to supported businesses
- there has been political drive for more to be done to involve supported businesses



## Chapter 4: Promoting innovation

In order to comply with the Duty, public bodies are required to consider how they can promote innovation through their procurement activity. The statutory guidance on the Procurement Reform (Scotland) Act 2014 states that innovation in public sector procurement gives public bodies “the opportunity to influence the market towards innovative solutions”.<sup>133</sup>

The statutory guidance also provides examples of how public bodies can promote innovation through their procurement activity, such as:

- use of e-procurement, e.g. e-catalogues and e-invoicing
- procuring research and development
- driving demand for the creation of new technologies, standards and services.

Through this research, we examined the extent to which public bodies are currently complying with this part of the Duty. We analysed information on approaches taken to delivering innovation provided through procurement reports, responses to our survey and interviews conducted during this research. In this section, we discuss the extent to which public bodies in Scotland are promoting innovation through procurement.

### Examples of promoting innovation

Two public bodies in particular provided detailed descriptions of how they promote innovation through procurement and described several examples of innovative procurement practice.

For example, one of Aberdeenshire Council’s dedicated strategic objectives is to:

“Deliver value and innovation by effective use of category and commercial management techniques and utilisation of spend analytic tools to enable smarter decision-making; identify collaborative opportunities and provide sector-specific market intelligence to inform decision making”<sup>134</sup>

Examples of how Aberdeenshire Council meets this duty include:

- identification of new service delivery models
- maximising the benefits of digital technology such as through purchase to pay processes, electronic tendering, e-auctions and dynamic purchasing systems

<sup>133</sup> Scottish Government (2016), Procurement Reform (Scotland) Act 2014: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/3/>

<sup>134</sup> Aberdeenshire Council, Annual Procurement Report, 2017-18, <http://publications.aberdeenshire.gov.uk/dataset/87890bed-7638-410d-af4c-7b672614da1f/resource/358a35dc-919c-4f5c-a904-970b1092c53d/download/cusersspellascdocumentsaberdeenshire-council---procurement-annual-report-2017-18.pdf>



- sharing of best practice and processes to identify standardisation, consistency, efficiency and effectiveness

The Scottish Government also provided examples of how it actively promotes innovation through procurement. For example, it included a detailed section on its CivTech Programme, a project that fosters innovation by funding SMEs to deliver creative solutions to challenges set by different public sector bodies. Some challenges in CivTech 3.0 included “How can tech help stop illicit trading?” and “How can we use data to drive up standards in social rented housing?” The CivTech programme is described further in the Scottish Government’s annual procurement report:

“Our CivTech® Programme addresses public service challenges 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. It enables the rapid development of creative, cost-effective solutions delivered by those businesses. CivTech® is providing pathways for tech SMEs and start-up businesses to secure public sector contracts. It offers real opportunities to deliver even better services for people and even better value for service providers.

The CivTech® approach is valued in procurement because of the innovative way it finds solutions to challenges and helps solve the problem of “how do we procure technology that we don’t know exists?”.

Started in 2016 as a pilot, CivTech® was the first pan-public sector tech accelerator of its kind. It has already demonstrated its ability to build businesses and create jobs, while driving improvement in the delivery of public services as well as enhancing our international reputation for innovation. Following its successful pilot, the second phase of CivTech® was launched during the reporting period, with challenges ranging from a smarter booking system for outpatient appointments, to using data to improve global perceptions of Scotland, to combatting bird of prey persecution. CivTech® 3.0 launched in June with ten challenges ranging from tackling illicit trading; improving hospital waiting times; to driving up standards in social housing and protecting the digital footprint of young people”<sup>135</sup>

Other public bodies provided examples of promoting innovation through their procurement activity. For example, Glasgow Kelvin College’s procurement report detailed the opening of Glasgow Kelvin Velocity, an innovative cycling hub based at its Springburn campus. This has contributed to the college’s sustainability objectives through the delivery of drop-in bike fix sessions, promotion of active travel and bike breakfasts events.<sup>136</sup>

The Scottish Fire and Rescue Service has also promoted innovation through its procurement of new technology and vehicles:

<sup>135</sup> Scottish Government, Annual Procurement Report, 2017-18, <https://www.gov.scot/publications/scottish-government-procurement-annual-report-2018/>

<sup>136</sup> Glasgow Kelvin College, Annual Procurement Report, 2017-18, <https://www.glasgowkelvin.ac.uk/wp-content/uploads/2018/11/Procurement-Annual-Procurement-Report-201718.pdf>

“The SFRS continues to seek new ways of supporting service delivery through the introduction of new technology. One example of this was the Rapid Response Unit procurement exercise which involved the introduction of innovative firefighting vehicles and equipment, including new technologies, into our fleet which was successfully delivered working in partnership with the supplier, Emergency One. This approach will continue with future projects linked to Service Transformation, to enhance service delivery and increase firefighter safety”<sup>137</sup>

Police Scotland introduced a new strategy, Policing 2026<sup>138</sup>, which has resulted in the procurement of new technology, new equipment and transformational support.

APUC has designed its own in-house procurement tool called Hunter, which has been adopted by other universities and colleges. It is a database solution which uses standard Microsoft packages allowing universities and colleges to effectively monitor and report on collaborative contracting activities.<sup>139</sup>

The University of Edinburgh’s Service Excellence programme has delivered examples of innovative procurement. For example, ‘Core Systems’ is an award-winning programme which supports the design and delivery of a new finance system that will enable new services and process efficiencies.<sup>140</sup>

Other public bodies provided more generic examples of promoting innovation, including:

- encouraging innovative approaches when advertising tenders
- working collaboratively and developing partnerships with other publicly funded bodies, professional bodies and supply markets
- implementing Dynamic Purchasing Systems
- use of category and commercial management techniques and utilisation of spend analytic tools
- implementation of new finance systems
- use of digital technology

The lack of detail provided in the procurement reports is not necessarily an indication of a lack of innovation in practice. Rather, it may be that innovation is more widespread but is not currently being reported in adequate detail.

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<sup>137</sup> Scottish Fire and Rescue Service, Annual Procurement Report, 2017-18, [https://www.firescotland.gov.uk/media/1332285/sfrs\\_procurement\\_annual\\_report\\_jan\\_2017\\_march\\_2018\\_for\\_publication.pdf](https://www.firescotland.gov.uk/media/1332285/sfrs_procurement_annual_report_jan_2017_march_2018_for_publication.pdf)

<sup>138</sup> Police Scotland, Our 10 Year Strategy for Policing in Scotland, <https://www.scotland.police.uk/spa-media/jjkpn4et/policing-2026-strategy.pdf?view=Standard>

<sup>139</sup> APUC, Annual Performance Report, 2017-18, <https://www.apuc-scot.ac.uk/docs/corporateinfo/2018%20PRA%20Annual%20Procurement%20Report%20Jan%202017%20to%20July%202018.pdf>

<sup>140</sup> University of Edinburgh, Annual Procurement Report, 2017-18, <http://www.docs.csg.ed.ac.uk/Procweb/PolicyP/AnnualProcurementReport2018FV.pdf>

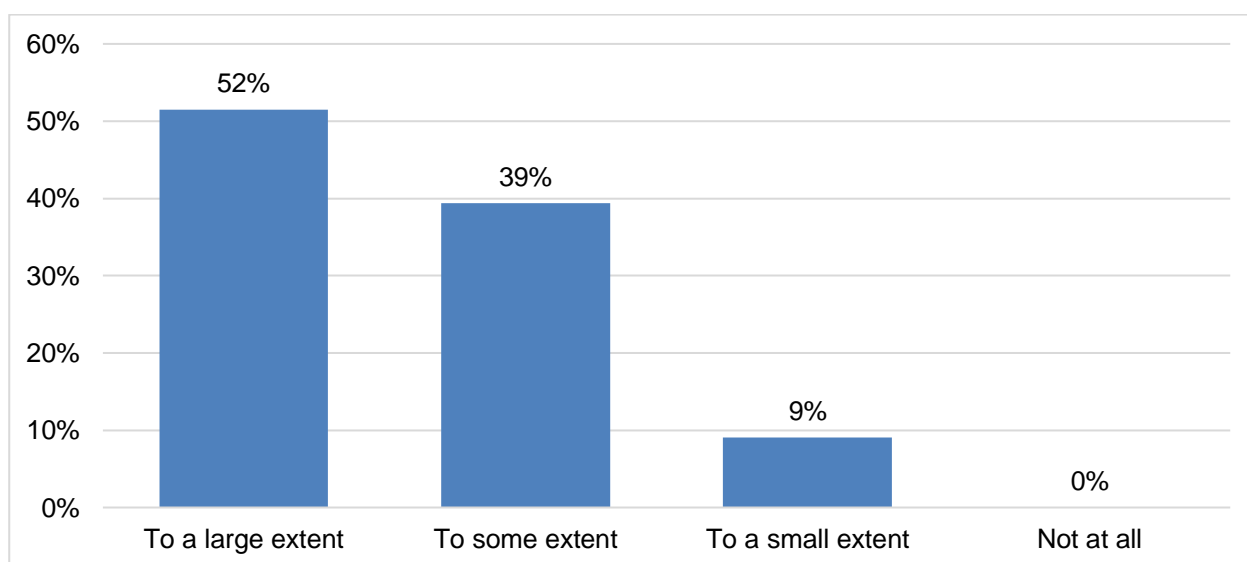
However, our discussions with key informants and with deep dive case study organisations suggests that, while innovation may be more widespread than is currently being reported, this is an area where organisations require further support to better understand how innovation is defined and how to report on innovation more effectively.

# Chapter 5: Experiences of implementing the Duty

## Experiences of implementation of the Duty

In our survey of public bodies, we asked respondents to indicate the extent to which their organisation has embedded the Duty into its procurement strategy. As Figure 5.1 below indicates, over half of respondents (17, 52%) said that the Duty has been embedded to a large extent.

Figure 5.1 Overall, to what extent would you say the Duty has been embedded into your organisation's procurement strategy? (n=33)<sup>141</sup>



This is positive and suggests that good progress is being made. Furthermore, 88 public bodies (80%) that produced an annual procurement report in 2018-19 described how they intended to meet the Duty in terms of economic, social and environmental wellbeing in their procurement strategies. This represents a slight improvement on 2017-18 when this figure was 74% (85 public bodies).

In this chapter, informed by discussions with key informants, case study areas and the survey, we reflect on people's experiences of implementing the Duty to date.

There was significant consistency of opinion across the interviews conducted with the vast majority describing the Duty as "young". While interviewees acknowledged that progress has been made, feedback frequently suggested that more progress needs to be made and the speed at which this happens needs to increase.

<sup>141</sup> Data includes 33 responses from 31 organisations – two public bodies submitted two separate responses.

“Procurement professionals and others haven’t pushed it as far as they could” (interviewee)

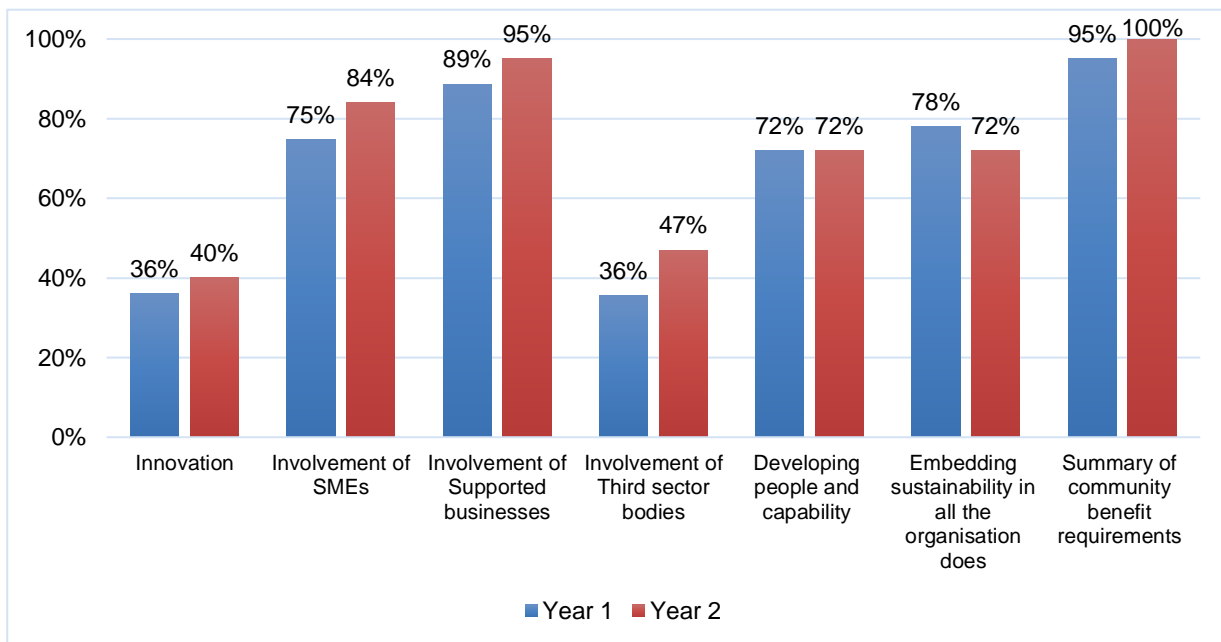
Feedback suggests that there is a strong will for the Duty to effect change but that more support is needed to help public bodies to understand how best to implement the Duty for maximum impact. There remain varying levels of knowledge and understanding of obligations and there was a concern that some people still consider it a burden rather than an opportunity. Feedback also indicates that there is strong commitment to procurement as a lever for change at strategic levels in many of the public bodies, but that there is less commitment at operational level (outside procurement teams). Additional support may be required to address this.

“Procurement needs to be seen as an enabler – there needs to be a step change in procurement” (interviewee)

Positive progress was recognised. For example, some interviewees cited good progress having been made recently in relation to fair work but noted that more progress like this needs to be made in relation to other areas of the Duty. This is consistent with the findings of our review of annual procurement reports.

Figure 5.2 below compares information included by public bodies in their 2017-18 and 2018-19 procurement reports about steps they had taken to fulfil elements of the Duty. As can be seen, the direction of travel is generally upwards – across most of the key components of the Duty more is being reported in this year’s reports than in last year’s reports. Interviewees confirmed that progress is being made.

Figure 5.2 Information provided in procurement reports by year (Year 1 n=115, Year 2 n=110)<sup>142</sup>



<sup>142</sup> It is important to note that some of the public bodies which submitted reports in year 1 did not submit in year 2 (and vice versa).

While information in the procurement reports cannot be considered to be a wholly accurate picture of what is being done in practice, this data gives some reassurance that a higher percentage of public bodies are addressing the core elements of the Duty than previously.

Despite increasing between year 1 and 2 reports, two areas stand out due to the significantly lower percentages of public bodies reporting activity against them – innovation, and facilitating the involvement of third sector bodies. As noted in other parts of this report, these are two of the areas most commonly cited by interviewees as remaining challenges to address.

## **The contribution of the Duty in delivering policy intentions**

The Procurement Reform (Scotland) Act 2014, and the Duty set out within it are important to achieving Scotland's overarching purpose "to create a more successful country, give opportunities to all people living in Scotland, increase the wellbeing of people living in Scotland, create sustainable and inclusive growth and reduce inequalities and give equal importance to economic, environmental and social progress".<sup>143</sup> The actions of public bodies contribute to individual national outcomes and the Duty is one way in which they do so.

Table 7.1 in Chapter 7 and the matrix provided in Appendix 2 shows examples of the ways in which actions being delivered to address the Duty support the national outcomes. These are by no means comprehensive, and give only a flavour of the ways in which sustainable procurement is delivering on the national outcomes.

However, research participants, including interviewees and survey respondents, noted that systems and processes in many public bodies are not yet sufficiently sophisticated to fully understand how organisations are contributing towards delivering on national priorities through procurement. Tightening the link between policy and procurement staff in an organisation was considered to be central to this going forward.

Furthermore, interviewees emphasised the role of procurement teams in ensuring they work with supplier organisations towards prioritising particular community benefits which link to policy priorities. While some organisations already take this pro-active and collaborative approach, others do not.

## **Key enablers to effective implementation of the Duty**

Research participants identified a range of factors which enable effective implementation of the Duty. There was significant consensus across these and a strong feeling that more needs to be done to ensure that these enablers feature across public bodies. We outline these factors in Figure 5.3 and discuss each of them below.

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<sup>143</sup> Scottish Government, National Performance Framework, <https://nationalperformance.gov.scot/>

Figure 5.3 Key enablers to effective implementation of the Duty



## Leadership

Interviewees described leadership as key to making progress. Links between policy and procurement in an organisation were described as needing to be very tight to ensure success in implementing the Duty.

In local authorities, for example, elected member oversight was considered to be essential but was described as not happening frequently enough. In areas, where leadership was seen to be effective, senior management was described as “putting pressure downwards” to ensure change happens.

Scottish Government’s leadership is also seen as vital in ensuring the Duty is properly implemented. However, a number of research participants commented on the variability in knowledge and practice of the Duty across Scottish Government. Whilst the procurement team itself was widely praised for its role in supporting implementation, other parts of government were described as being less knowledgeable and invested in implementing the Duty.

## Capacity and resources

All interviewees cited a lack of capacity or resources as a barrier to implementing the Duty effectively and considered this to be a particular barrier in relation to innovative practice. This related to capacity in procurement teams, more widely across organisations and within supplier organisations, and to skills and knowledge as well as funding - “It’s not



always about having more money – it’s about getting more resources to support change”; “Create capacity by increasing partnership working” (interviewees).

Staff turnover was cited as a particular challenge by some research participants – with skills that have been built up being lost to the organisation when someone moves on. This emphasises the importance to public bodies of retaining skilled and experienced procurement staff; and of ensuring, as far as possible, consistent procurement practice among public bodies so that individuals’ skills and experiences are relevant in their new position if they move on.

### **Good contract management**

Good contract management was seen as key to achieving more from the Duty, and understanding the impact that it is having. For example, measuring the impact of community benefit requirements was patchy – being done very well in some public bodies but less effectively (or not at all) in others. This means that there is potentially a lack of accountability for delivery on the part of suppliers and a lack of understanding across buyers of the impact of the Duty.

It is vital that public bodies have measures in place to monitor progress in relation to the implementation of community benefit requirements and other aspects of delivery related to the Duty. Some find this challenging. Feedback from interviewees and survey respondents indicates that a lack of resource – in the form of both time and skills - are barriers to this happening more comprehensively.

Some public bodies raised concerns through the research process about weaknesses in the procurement reporting processes as a mechanism for showcasing practice (although some public bodies did so successfully) while others raised concerns about the amount of information required to be provided and the challenges involved in collating this across the organisation. This emphasises the importance of public bodies making a clear link between contract and supplier management, collecting the information necessary to achieve that, and then using that information to inform reporting around procurement.

It also suggests an overall need for more leadership on this issue, and support to put in place effective impact measurement systems. Some research participants indicated that there may be a need for a centralised point of collection for some of this data.

### **Sharing good practice**

There was consensus across interviewees that learning from each other’s practice was vital to push forward implementation of the Duty and to increase innovation. Interviewees also noted the need to see more examples of good practice to make it more tangible and credible to buyers. Feedback indicated that more needs to be done to bring together buyers, suppliers and commissioners to share practice.

Forums for sharing good practice were highly valued but feedback indicated that there were not enough of these currently taking place. For example, interviewees described the Community Benefits Champions Network, which existed from 2012-17, as really valuable to the third sector but this has since been discontinued.

## **Sustainability as a key element of assessment processes**

Some interviewees observed that the elements of the Duty, such as community benefits requirements, are often treated as an add-on and are not scored in assessment processes (although in some public bodies they are a fully scored part of the process).

There was a sense that the Duty could be given more prominence in assessment - "Weighting it as part of tender processes sends a message that this is very important" (interviewee). However, there was also a recognition that weighting will only be appropriate for some contracts – and that remaining proportionate was important.

Some concerns were also raised about quality and experience lacking in people assessing tender responses.

## **Strong supplier relationships**

Good supplier relations were seen to be central to the success of the Duty and some interviewees noted that building strong relationships with suppliers was key to making progress - "It's about getting the right ethos into your supply chain". Interviewees emphasised the importance of effective engagement with suppliers pre- and post-tender stages. Renfrewshire Council (featured in our case study in Appendix 1) is a good example of an organisation investing time and resources in fostering these relationships to affect change.

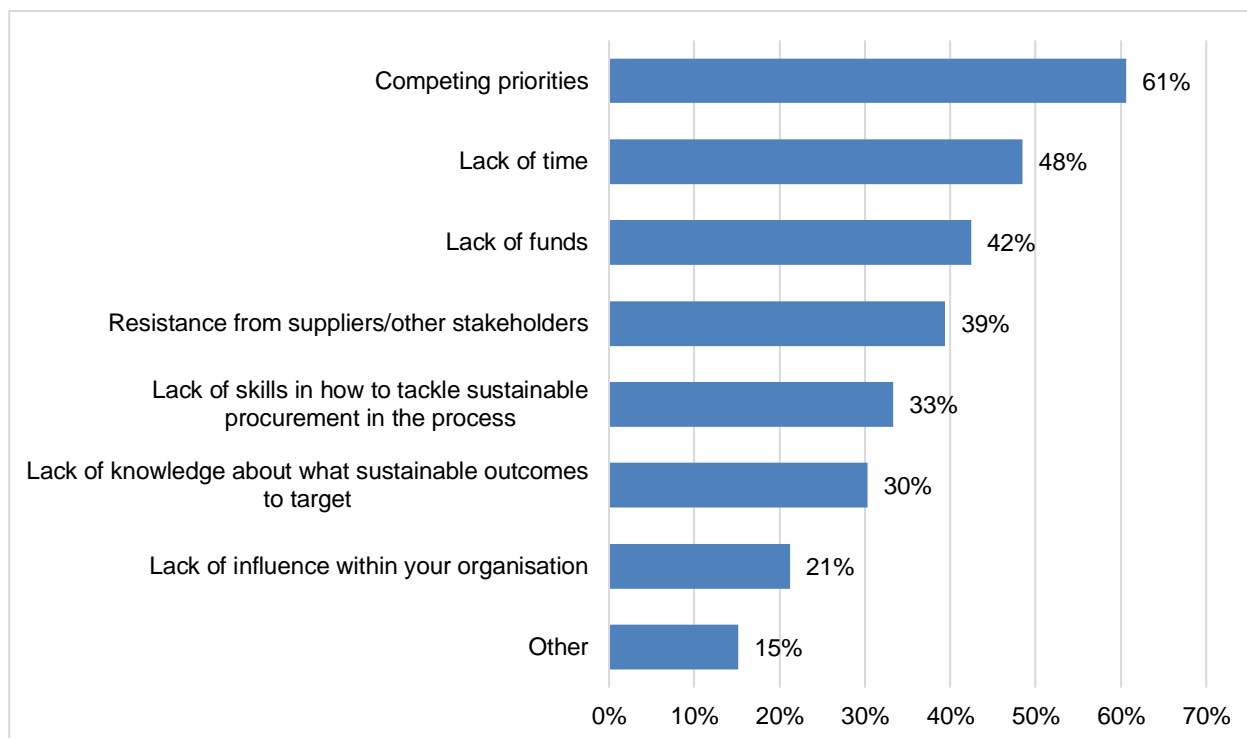
Some spoke of pushback from suppliers (although this tended to be the exception with feedback generally indicating little resistance from suppliers), but some suppliers were described as "beginning to see the value of this" (interviewee). For example, one supplier in particular was cited by interviewees as an example of a supplier having recognised the competitive advantage that offering community benefits can give.

Some interviewees felt that there was a need for more feedback from suppliers with one suggesting that their views should be reflected in the ministerial report on procurement.

## **Barriers to implementing the Duty**

As might be expected, barriers closely mirrored enablers. Our survey of public bodies we explored the factors that make it challenging to implement the Duty and, as Figure 5.4 below shows, a lack of resources (competing priorities, lack of time and lack of funds) is a key factor. However, resistance from suppliers and a lack of skills and knowledge also featured highly. This resonates with what we heard from key informants and case study areas.

Figure 5.4: What factors make it difficult to implement the Duty? (n=33,<sup>144</sup> multiple responses selected)



In addition, interviewees highlighted a number of other challenges to implementing the Duty including the following:

- risk aversion – a risk averse culture around procurement was felt to be hindering progress and stifling ambition and innovation in relation to practice. The role of leadership was again seen to be key to addressing this barrier
- lack of ambition – levels of enthusiasm were perceived to be very mixed and while organisations may be complying with the Duty, there was a sense that the level of ambition to use the Duty as a real lever for change was limited in some public bodies – “Some see it as an opportunity, others see it as a burden”
- lack of creativity in approaches to implementing the Duty – creativity was considered by some to be key in delivering greater impact through the Duty
- framework contracts were felt by some to be a barrier (whilst recognising that they can be valuable in some respects) – they were described as “positive if you are on them”, and a “helpful tool for buyers”, but some reported challenges in successfully being appointed to frameworks – especially for SMEs and third sector bodies
- while some interviewees gave examples of public bodies using Quick Quotes as an effective way of involving SMEs, third sector bodies and supported businesses in procurement exercises, some research participants fed back that third sector bodies, particularly social enterprises, do not currently benefit enough from Quick Quotes and there is scope for public bodies to involve them more in these exercises

<sup>144</sup> Data includes 33 responses from 31 organisations – two public bodies submitted two separate responses.

- public bodies require suppliers to include community benefit requirements in contracts over a certain value, and SMEs, third sector bodies and supported businesses are well-placed to deliver community benefits when they are relevant and proportionate to the contract in question. However, the time and resources involved in delivering community benefits can act as a disincentive for some organisations, particularly SMEs, to bid for smaller contracts where disproportionate or irrelevant community benefits are required. This emphasises the importance of relevancy and proportionality in community benefit requirements.

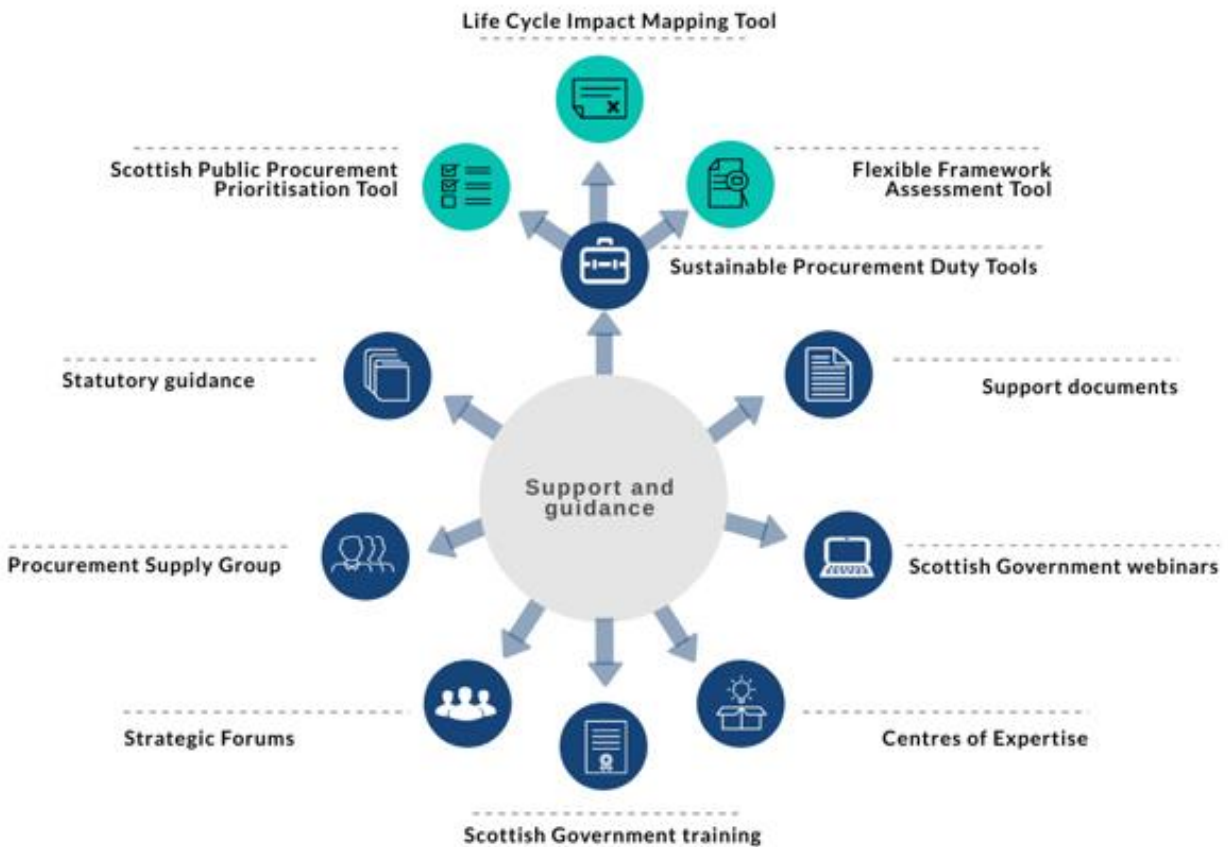
# Chapter 6: Strategic and operational guidance and support

There is a range of guidance and support available to public bodies in relation to implementation of the Duty. We describe the range of these in this chapter and explore the extent of take-up, and gaps identified.

## Scottish Government support and guidance

Scottish Government offers a range of support and guidance to help public bodies comply with the Duty. Figure 6.1 illustrates the range of support and guidance available, and we discuss each element in more detail below.

Figure 6.1: Scottish Government support and guidance



## Statutory guidance

The Procurement Reform (Scotland) Act 2014: statutory guidance<sup>145</sup> contains a chapter on sustainable procurement which provides definitions and examples of good practice.

## Sustainable Procurement Duty Tools<sup>146</sup>

In addition, the Scottish Public Procurement Prioritisation Tool (SPPPT) is a source of support for public bodies. The SPPPT was developed to bring a standard structured approach to the assessment of spend categories. The risk and opportunity approach enable resources to be focused on areas with the greatest potential to generate benefits such as reduced carbon emissions and waste, financial savings, whilst driving innovation.

The Scottish Government has also designed a Sustainability Test to help embed relevant and proportionate sustainability requirements in the development of frameworks and contracts. It is a quick test and may be used as a standalone product or in conjunction with the SPPPT.

The Life Cycle Impact Mapping tool is used to identify environmental and social impacts of raw materials, manufacturing and logistics, use and disposal or end of life management at each stage in the product or service and address these in the procurement process. This method can be applied to categories before undergoing the prioritisation methodology.

The Flexible Framework Assessment Tool is a self-assessment tool that can be used to assess current levels of performance and the actions required to embed good procurement practice to realise intended sustainable outcomes. The action plan can include responsibilities and target dates for people, objectives, strategy, and communication, engaging stakeholders and monitoring and reporting.

The Scottish Government also has procurement and sustainable procurement training frameworks<sup>147</sup> currently in place. The training frameworks can be accessed by all authorities in the public sector and offer courses involving the delivery of learning activities from the framework's learning programme and the development of new learning activities.

## Support documents<sup>148</sup>

The Scottish Government has also published a series of detailed support documents on their website which provide guidance to help public bodies take a relevant and proportionate approach to embed sustainable actions in procurement processes. The guidance covers a range of 14 socio-economic and environmental factors including communities, equality, fair work, climate change, waste and biodiversity.

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<sup>145</sup> Scottish Government, Procurement Reform (Scotland) Act: Statutory Guidance, <https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/>

<sup>146</sup> Scottish Government, Sustainable Procurement Tools, <https://sustainableprocurementtools.scot/>

<sup>147</sup> Scottish Government, Procurement Training Frameworks, <https://www.gov.scot/publications/procurement-training-frameworks/>

<sup>148</sup> Scottish Government, Sustainable Procurement Tools: Guidance, <https://sustainableprocurementtools.scot/index.cfm/guidance/>

## Scottish Government webinars

The Scottish Government also hosts webinars at key points in the procurement calendar and advertises these widely. The purpose of these webinars is to provide feedback and advice to help those who will be preparing annual procurement reports. Webinars were first held in December 2017 and March 2018 in advance of the first annual procurement reports to be published under the 2014 Act. Some 60 people participated across these two webinars and a Q&A resource and a set of slides were circulated to participants afterwards.

In April and May 2019, two further webinars were delivered and 61 people took part in these. The Scottish Government again developed a Q&A resource and circulated it along with the slides to participants after the webinars.

This suggests that take-up is reasonable but that there is scope for many more people across public bodies to take part.

## Centres of expertise

There are four procurement centres of expertise in Scotland, which between them, provide support and guidance to public sector bodies in the central government, local government, further/higher education and health sectors. They are:

- Central Government Procurement;
- Advanced Procurement for Universities and Colleges (APUC);
- NHS National Procurement; and
- Scotland Excel (local authorities).

The heads of the four centres of expertise along with senior Scottish Government procurement officials make up the Public Procurement Group (PPG), which sets the national direction for public procurement for Scotland.

The PPG's focus is on using its collective spending power to deliver sustainable and inclusive economic growth through the four **power of procurement** outcomes. These align with the National Performance Framework and define what public contracts, policies and services should deliver. They must be:

- **good for business and their employees** – promoting fair work, fair payment and the real opportunity to bid for and win public contracts
- **good for society** – working in a way that is mindful of the public sector's impact on society and open to innovative approaches to act on some of Scotland's most difficult social issues
- **good for places and community** – ensuring Scotland remains a globally progressive nation and acting in a way that engages with citizens, taking local priorities and environmental factors into account, and
- **open and connected** – operating across organisational boundaries to deliver trusted public services, within our collective resources



## Scottish Government training

The Scottish Government has developed a training module - “An introduction to sustainable public procurement in Scotland”.<sup>149</sup> A 20-minute module is completed ahead of attendance at a two-day training session.

## Strategic forums

There are three strategic forums that support and deliver against the national priorities and milestones set out in the Public Procurement for Scotland (PPFS) workplan:

- collaborative leads group
- policy
- professional practice and development.

The forums are made up of officials from across the Centres of Expertise and beyond, to ensure an inclusive, cross-sector approach to policy and practice development. The forums engage individually and collectively with the Public Procurement Group.

## Procurement Supply Group

The Procurement Supply Group is made up of representatives from business, third sector and trade unions. Its remit is to:<sup>150</sup>

- provide an ongoing framework for dialogue about, and influence upon, public procurement practices as they affect suppliers; and
- support the Public Procurement Group and Strategic Forums in delivering the national priorities and PPFS workplan

## Other support mechanisms

There are a number of other support mechanisms available to public procurement staff. These include in-house training; training purchased externally; and a range of good practice fora facilitated by a range of organisations. These include cross-sectoral fora such as the Local Government Procurement Managers’ Forum (chaired by Renfrewshire Council).

Some public bodies also host their own internal fora for exchanging good practice. Renfrewshire Council, for example, has a Community Benefits Forum which is a cross-service working group which also includes a third sector partner.

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<sup>149</sup> Scottish Government and Zero Waste Scotland, Introduction to Sustainable Public Procurement in Scotland, <https://www.zerowastescotland.org.uk/content/registration-scottish-approach-sustainable-public-procurement>

<sup>150</sup> Scottish Government, Public Sector Procurement: Governance, <https://www.gov.scot/publications/public-procurement-governance/>

## Feedback on support and guidance

The support and guidance available to public bodies seems to be well known and accessed by many organisations, although as previously noted, take-up of training and webinars could be higher.

For example, some public bodies noted in annual procurement reports that they applied the Duty Tools in conducting procurement processes to identify and address how they can optimise the economic and social outcomes from their procurement activity - “We completed a Sustainability Test before conducting any regulated tender process. This ensured we have taken full consideration of social and economic wellbeing of our area before going out to market and allows us to demonstrate we have considered whole life costs and life cycle impact mapping at the initial stage of every regulated contract” (Highlands and Islands Enterprise).<sup>151</sup>

While interviewees generally seemed to find the guidance and tools to be of high quality, many fed back that they find them too detailed and time-consuming “to wade through”. This is something which should be considered in the ongoing review of the Sustainable Procurement Duty Tools.

A number of gaps were identified by interviewees and survey respondents which require to be addressed in future. We outline these below:

- more guidance on addressing environmental wellbeing (particularly in relation to climate change - given the political push to enhance criteria in relation to climate change, some interviewees described a significant need for knowledge and expertise to be developed)
- more guidance on how to address and encourage innovation
- more opportunities for exchanging good practice. Programmes like Ready for Business were highly valued and are missed now that they are no longer available to the third sector

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<sup>151</sup> Highlands and Islands Enterprise, Annual Procurement Report, 2017-18, <https://www.hie.co.uk/media/7437/hieplusannualplusprocurementplusreportplus2017-plus2018.pdf>

# Chapter 7: Discussion and recommendations

The purpose of this research was to provide evidence of the early impact of the Duty. A requirement of public bodies since the Procurement Reform (Scotland) Act 2014 came into force, the Duty has led to a step change in procurement practice.

However, while Scotland is ahead of many other countries in its practice in relation to sustainable procurement, and there has been significant progress in recent years, much remains to be done and public bodies and stakeholders alike recognise that a further push is required to take implementation to the next level.

Austerity and budgetary challenges have undoubtedly limited some of the potential for change, but despite these challenges there is more that public bodies can do to deliver impact. Creativity and ambition in relation to implementing the Duty are not universal and there are many lessons to be learned from organisations that are at the forefront of successful implementation.

Levels of understanding of the Duty still vary significantly between organisations and between levels of staff within organisations and while comprehensive training and guidance are available, take-up is not universal. The Sustainable Procurement Duty Tools are welcomed by many but research participants voiced concerns about how detailed and cumbersome these are. The ongoing review of these tools is an opportunity to ensure that they are streamlined and user-friendly.

Feedback is clear - there is a need to better maximise the leverage of the public sector, and a need to pick up pace.

## National Performance Framework

The Duty is linked to the National Performance Framework and this research has shown that, in many ways, activities undertaken by public bodies to implement the Duty are making a positive contribution to Scotland's national outcomes, as summarised in Table 7.1.

Table 7.1 Contribution of sustainable procurement to national outcomes

National outcome	Examples of outputs that support the national outcome
We grow up loved, safe and respected so that we realise our full potential	Commissioning of early learning, childcare and education services delivered in line with GIRFEC and SHANARRI outcomes help children and young people to develop skills and work towards their full potential. Procurement of family support services that help parents to enhance their parenting skills, leads to improved family relationships and more positive outcomes for families

National outcome	Examples of outputs that support the national outcome
We live in communities that are inclusive, empowered, resilient and safe	Support for community organisations and clubs through community benefit requirements
We are creative and our vibrant and diverse cultures are expressed and enjoyed widely	<p>Support for community organisations focused on arts and culture through community benefit requirements</p> <p>Provision of arts and crafts resources for schools and other public bodies</p>
We have a globally competitive, entrepreneurial, inclusive and sustainable economy	<p>Contracting/sub-contracting, business support and development opportunities for suppliers, particularly SMEs, social enterprises, supported businesses and third sector bodies</p> <p>Procurement of creative and innovative solutions to address challenges faced by public sector bodies</p>
We are well educated, skilled and able to contribute to society	<p>Activities, often through community benefits, to enhance local people's skills and employability including work experience placements, apprenticeships and other training opportunities, and talks and workshops for schools, colleges and universities</p> <p>Creation of employment opportunities linked to delivering the goods or services procured, often supported by community benefit requirements</p>
We value, enjoy, protect and enhance our environment	<p>Reducing/eliminating the use of single use plastic</p> <p>Increasing the use of energy efficient products such as electric vehicles</p> <p>Activities to enhance the environment such as tree planting and landscaping works</p> <p>Increasing recycling and reducing waste</p> <p>Constructing and refurbishing buildings to maximise energy efficiency</p>
We have thriving and innovative businesses, with quality jobs and fair work for everyone	<p>Contracting/sub-contracting, business support and development opportunities for suppliers, particularly SMEs, social enterprises, supported businesses and third sector bodies</p> <p>Promoting fair work practices among suppliers, for example the real Living Wage, through tender assessment criteria</p>
We are healthy and active	<p>Support for activities that aim to improve healthy eating among communities</p> <p>Construction or upgrading of community amenities that promote physical activity including play areas for children, greenspace and sports facilities</p>

National outcome	Examples of outputs that support the national outcome
	Sponsorship/support of local sports teams and groups through community benefit requirements
We respect, protect and fulfil human rights and live free from discrimination	Promoting fair and ethical working practices throughout the supply chain, for example taking steps to guard against worker exploitation and involuntary or underage labour
We are open, connected and make a positive contribution internationally	<p>Procurement of creative and innovative solutions using technology to address challenges faced by public sector bodies</p> <p>Promoting fair and ethical working practices throughout the supply chain, for example taking steps to guard against worker exploitation and involuntary or underage labour</p>
We tackle poverty by sharing opportunities, wealth and power more equally	<p>Activities, often through community benefits, to enhance local people’s skills and employability including work experience placements, apprenticeships and other training opportunities, talks and workshops for schools, colleges and universities</p> <p>Creation of employment opportunities linked to delivering the goods or services procured, often supported by community benefit requirements</p>

However, while the Duty is linked to the National Performance Framework and is universally applicable, some representatives in public bodies believe that more still needs to be done to make the business case within organisations for sustainable procurement.

## Impact to date

Measures are being implemented to varying degrees across the three strands of the Duty (improving, involving and promoting innovation). Of the three, promoting innovation is the main area where many bodies continue to indicate a need for further guidance and support.

Community benefit requirements, often the mechanism used to address the requirements of the Duty, are now a regular feature of regulated procurement contracts – with 81% of public bodies (89) reporting in their 2018-19 procurement reports that these are incorporated into their regulated contracts. This is significant progress within a relatively short time-frame. Many go further and include these across both regulated and unregulated contracts. Some of these community benefits are well-recorded by public bodies, however many are not recorded systematically or in a way that can be shared with Government or others.

While information provided in recent procurement reports indicates that significant impact is being made, evidencing the full extent of the impact of measures taken to fulfil the Duty remains challenging. Many bodies find evidencing their impact difficult – citing resource constraints, inadequate systems, information spread across different parts of

organisations, lack of skills, and lack of willing as key barriers to this being done effectively. Individual public bodies have responsibility for ensuring that this evidence is available, however continuing support from Scottish Government will be important in ensuring this happens.

There remains some way to go to make contracts as accessible as they can be to encourage third sector participation in particular. Only 35% (11) of the 31 public bodies that responded to our survey had involved third sector bodies in contracts awarded in 2018-19. In addition, the Social Enterprise in Scotland Census Survey from 2019<sup>152</sup> found that 79% of social enterprises did not tender for public contracts. The main reason for this was insufficient capacity, capabilities or experience to deliver the contract (56%), followed by the goods and services offered by social enterprises being inconsistent with the needs of public bodies (41%). However, some cited other challenges such as difficulties in finding suitable partners (14%), a perception that there were too many risks associated with public contracts (12%), and unrealistic budgets (9%) and/or timetables (8%), and this perhaps suggests areas where social enterprises and third sector bodies might require support to help them access public contracts.

Interviewees indicated that there remains a lack of understanding or awareness of what the third sector can offer and the third sector continues to lack capacity and skills to bid for contracts. Support continues to be needed to address these gaps. Feedback from participants in our research suggested that, while the issues faced by SMEs, third sector bodies and supported businesses in terms of accessing public sector contracts are often similar, progress in making procurement accessible to SMEs and supported businesses has been quicker, but there remains room for further progress to be made in this aspect of the Duty.

Innovation is another area where impact is more difficult to determine. Feedback from interviewees suggests that more support is needed to help public bodies to understand how innovation is defined within the Duty, how this applies to their work and to understand how best to encourage innovation through procurement.

Cost continues to be a key deciding factor for some organisations and while this will always be an essential factor in assessments, some public bodies may need to consider more frequently whether economies of scale and price are always the most important criteria. In some cases, social impact may need to be more highly prioritised. An important element of this will be considering more carefully the relative priority of different elements of tender processes, and whether elements of tender assessments are scored.

## **Enablers and barriers to effective fulfilment of the Duty**

Through the research we identified a number of enablers which research participants believed to be key to building on the impact already delivered through the Duty. These included strong leadership; improved capacity and resources within procurement teams and across public bodies more widely; effective contract management (including robust monitoring of impact); more extensive sharing of good practice; sustainability featuring

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<sup>152</sup> Social Enterprise in Scotland, Census 2019, <https://socialenterprisecensus.org.uk/wp-content/themes/census19/pdf/2019-report.pdf>

more heavily in assessment processes (and being a scored component where appropriate); and building strong relationships with suppliers pre and post-tender.

Barriers identified included lack of time and resource to fully consider the Duty in each procurement exercise; a lack of funding; insufficient skills and knowledge to implement the Duty effectively; inadequate monitoring of impact; risk aversion; and a lack of ambition and creativity. However, it should be noted that these barriers were not experienced uniformly and many organisations were able to put in place systems to mitigate these challenges.

The recommendations outlined in the next section address the barriers highlighted above. In setting out these recommendations, we recognise that, while the Scottish Government has a role to play in supporting public bodies' procurement, ultimately, responsibility for meeting the requirements of the Duty, and for ensuring that procurement delivers value for money, lies with individual public bodies. The recommendations set out below seek to address the challenges highlighted during the research.

## **Recommendations for public bodies**

Some 2018-19 annual procurement reports continued to contain minimal detail in relation to implementation of the Duty. Many public bodies only provided a policy statement or statement of confirmation in their annual reports, with detail of how they implemented the Duty lacking. This does not necessarily indicate a lack of action and it may be the case that organisations are under-reporting on their efforts to address this element of the Duty.

**Recommendation 1: Public bodies should continue to improve the level and quality of information provided in annual procurement reports in order that the full impact of the Duty can be better understood across organisations.**

Some public bodies raised concerns about a lack of clarity around what is expected in addressing environmental wellbeing, which they felt had led to mixed interpretations by both vendors and suppliers. While extensive advice and support is available to public bodies from the Scottish Government on implementing the environmental wellbeing aspect of the Duty, including the statutory guidance associated with the Duty and specific topic guidance,<sup>153</sup> take-up of this is mixed, and understanding and capacity is still lacking.

**Recommendation 2: Public bodies should continue to grow their capacity to address the environmental wellbeing element of the Duty, by accessing existing support and learning from good practice.**

A relatively low number of public bodies make any reference to ethical supply chains in their annual procurement reports. It is again unclear whether the gap is in information provided in reports or whether there are gaps in practice.

**Recommendation 3: If the former, then public bodies must work to include more comprehensive information in their annual procurement reports. If the latter, then public bodies must re-visit their practice and consider how ethical supply chains may be better encouraged and achieved.**

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<sup>153</sup> Scottish Government, Sustainable Procurement Guidance  
<https://www.gov.scot/collections/sustainable-procurement-guidance/>



Feedback indicates that there is strong commitment to procurement as a lever for change at strategic levels in many of the public bodies, but that there is less commitment at operational level (outside procurement teams).

**Recommendation 4: Public bodies should continue to work to develop levels of commitment and understanding among their staff of the opportunities that the Duty offers for positive change and the benefits that implementing the Duty have for the body. Staff should be aware that considerations related to the Duty apply throughout the procurement process, from developing the requirement to selecting suppliers, evaluating bids and managing the contract.**

Risk aversion, combined with a lack of ambition and lack of creativity in approach were considered to be key barriers to more effective implementation of the Duty, with a sense that the level of ambition to use the Duty as a real lever for change was limited in some public bodies.

Public bodies' procurement reports indicate that significant impact is being made through the implementation of the Duty, but evidence of the full extent of the impact is not always available. It is vital that public bodies have measures in place to monitor progress in relation to implementation of the different aspects of delivery related to the Duty but some are finding this challenging, particularly with regard to community benefit requirements. Feedback indicates that a lack of resource, in the form of both time and skills, is a barrier to this happening more comprehensively.

Research participants also noted that in many public bodies, systems and processes are not yet sufficiently sophisticated to fully understand how organisations are contributing towards delivering national outcomes through procurement. Tightening the link between policy and procurement staff in an organisation was considered to be central to this going forward.

**Recommendation 5: Public bodies to work towards improving systems for monitoring progress against the delivery and impact of the Duty to ensure that more comprehensive information can be provided through annual procurement reports and impact can be better understood.**

**Recommendation 6: It is crucial that evidence collected by public bodies about the delivery and impact of the Duty goes beyond cost savings and considers other areas of social, economic and environmental impact, to demonstrate the contribution of these activities to wider value for money impact.**

There was consensus across interviewees that learning from each other's practice was vital to push forward implementation of the Duty and to increase innovation. Interviewees also noted the need to see more examples of good practice to make it more tangible and credible to buyers.

**Recommendation 7: Public bodies should take a more active role in sharing good practice with their suppliers and with other public bodies in their sector and beyond.**

Feedback during this research suggested that the Duty could be given more prominence in assessment to ensure that suppliers understand the importance placed on it by public

bodies. However, there was also a recognition that weighting will only be appropriate for some contracts and that remaining proportionate was important. Some concerns were also raised about quality and experience lacking in people assessing tender responses.

**Recommendation 8: Public bodies should consider whether questions related to the Duty can, where appropriate, form scored elements of more contracts than is currently the case<sup>154</sup>; and ensure that staff have the necessary skills to make judgements around sustainability when assessing bids. Where scoring is not deemed to be appropriate, public bodies should consider whether the value of requiring this information is outweighed by the additional burden placed on bidders, and on staff in the assessment process.**

Cost continues to be a key deciding factor in assessment processes for some organisations and while this will always be an essential factor in assessments some public bodies may need to ask themselves more frequently whether economies of scale and price are the most important criteria. In some cases, social impact may need to be more highly prioritised.

**Recommendation 9: Public bodies to re-visit, and to more regularly review, the balance in assessment processes between cost and the quality of the offer from suppliers (including any offer related to elements of the Duty).**

## **Recommendations for sectoral bodies**

Related to the key points outlined above, the following recommendations are made for the four Procurement Centres of Expertise in Scotland:

**Recommendation 10: Explore opportunities to provide further support for public bodies with monitoring and evidencing progress with and impact of the implementation of the Duty, including community benefit requirements. This could include signposting bodies to existing support and guidance.**

**Recommendation 11: Continue to support public bodies with the development of their annual procurement reports by, for example, providing templates or guidance for minimum content.**

**Recommendation 12: Identify further opportunities for public bodies to share learning and examples of effective practice from their experience of implementing the Duty.**

**Recommendation 13: Explore opportunities for further supporting public bodies with their implementation of the Duty, especially guidance around the promoting innovation and environmental wellbeing aspects of the Duty. This could include signposting bodies to existing support and guidance.**

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<sup>154</sup> In doing this, it is important that public bodies award scores appropriately, in proportion to the scale of the contract and in a way that does not unfairly benefit any particular supplier or group of suppliers. For example, it would not be appropriate to award points to a supplier just because it is an SME, although evidence of the suppliers' activities to involve SMEs in sub-contracting opportunities might be appropriate, depending on the scale of the contract.

**Recommendation 14: Facilitate and co-ordinate opportunities for public bodies to provide feedback to the Scottish Government on the existing support and guidance. This feedback is critical to enable the Scottish Government to continuously improve the support and guidance and to ensure it meets the needs of the sector.**

## **Recommendations for Scottish Government**

**Recommendation 15: There is no Procurement Centre of Expertise specifically for registered social landlords (RSLs), but there are other umbrella bodies that support organisations in this sector. It may be worthwhile for the Scottish Government to explore whether RSLs require further support with implementing the Duty and how this might be delivered.**

**Recommendation 16: Support public bodies to work towards ensuring a tighter link between procurement policy and practice and local and national policy objectives.**

**Recommendation 17: Work with partners to put in place or re-introduce opportunities for sharing good practice on sustainable procurement between public bodies, both sectorally and cross-sectorally focused, to encourage more creative and ambitious approaches to addressing the Duty.**

**Recommendation 18: Continue to work with public bodies to improve the quality and depth of information provided on the delivery, impact and effectiveness of the Duty through the annual procurement reports. Re-visit the data template issued for the first time last year to ensure it is fit-for-purpose so that full and relevant evidence is captured, drawing on learning from this research.**

**Recommendation 19: Use the ongoing review of the Sustainable Procurement Duty Tools to consider options for refining the tools to ensure that they are more user-friendly.**

# Appendix 1: Case studies

## Sustainable Procurement Case Study 1

### Name of organisation

Renfrewshire Council

### Value of regulated contracts (2018-19)

£135 million, of which 50% awarded to SMEs.

### Approach

The council considers individual projects as part of a whole Council approach, taking account of the council's objectives and strategic outcomes and the impacts of procurement. The procurement team sits under Policy and Commissioning under the Chief Executive's Service which means that they have the policy lead, the Partnerships and Inequalities lead and the Economic Development lead all sitting under the same service. They come together regularly to review goals.

There has been strong leadership from two successive leaders of the council who have bought into and committed to procurement as a driver for change. Elected members also place an emphasis on social value in Renfrewshire. Renfrewshire is the tenth largest unitary authority but has the third biggest procurement team.

In Renfrewshire significant emphasis is placed on social value rather than just savings. Their aim is to find solutions that are sustainable for everyone and do not drive providers into the ground. For example, in terms of costs their care contracts are average compared with other local authorities, but they try to work with contractors to find creative solutions, e.g. doing a single run of invoices rather than one for each client. In Renfrewshire they target specific contracts where they think there can be rewards.

### Fit with wider policy

Staff actively engage with community partners and partners within the Council and wider public sector to identify and explore opportunities to promote the Council's CSR objectives.

### Use of community benefit requirements

The Council actively promotes the inclusion of community benefit requirements in all regulated procurements and, where feasible and appropriate, in all other procurements.

A community benefits outcome menu has been developed and this is included in all relevant tenders, providing a transparent and fair approach to assessing the value of the community benefits offered by each bidder.

Once a contract is awarded, the Council's Community Benefits Forum works with the Council's procurement officers to co-ordinate and support the delivery of community

benefits. This forum is a cross-service working group involving staff from different departments. A third sector partner and a representative of Developing the Young Workforce also sit on the forum. When contractors offer community benefits, these are considered by the forum and suppliers are provided with contact details for relevant members of the forum who then work with them to deliver their offer. It is an opportunity to encourage ambition and innovation in relation to community benefits. It is resource intensive for the council however this approach delivers clear benefits.

The Forum also monitors the delivery of community benefits and identifies new opportunities for the delivery of community benefits. Individual procurement officers also check on progress.

Some recent examples of community benefits offered by suppliers include:

- a fruit and vegetable contractor donated food boxes to food banks once a week
- a roads contractor offered to re-surface car parks in local schools
- a contractor that clears gutters and gullies offered to clean up the local burn which had been heavily polluted with rubbish. Local people now maintain the burn themselves
- significant community benefits realised through their City Deal
- community benefits delivered in the form of employability support through Invest in Renfrewshire
- cultural infrastructure projects which have offered a range of community benefits

### **Fair work and living wage**

They evaluate fair working practices in accordance with legislation and work closely with suppliers and service providers to help support them to support their workforce and encourage them to ensure that all workers delivering services to the Council are paid a real living wage.

### **Facilitating access to SMEs, third sector bodies and supported businesses**

They lead the Community Benefits Forum (a cross-local authority forum for exchanging good practice) which works closely with local and national business representatives and actively engages with the third sector and community partners, and Economic Development within the council to explore opportunities for developing and growing the role of local SMEs, third sector bodies and supported businesses in procurement. This includes small business mentoring, reserved contracts, and procurement workshops to help build knowledge and capacity.

In addition, the Council hosts SME workshops and Meet the Buyer supplier events, supports the annual B2B event hosted by Renfrewshire Chamber of Commerce.

### **Staff training and support**

Strategic commercial category managers work with services to provide high level support, guidance and input into commissioning strategies from the earliest stage and throughout the whole commissioning cycle.

The Purchase to Pay manager in the enterprise resource planning team continues to develop new procurement process maps and policies and procedures and to support the training delivered to individual service areas.

They continue to develop the skills and capabilities of the procurement team, promoting training and development opportunities to ensure that the team maximises its commercial and strategic skills, providing strong support, guidance and leadership to their services.

### **Addressing innovation**

The council actively explores new opportunities for innovation with suppliers, inviting their input and considering opportunities to achieve mutual goals and efficiencies for the benefit of all.

## Sustainable Procurement Case Study 2

### Name of organisation

Scottish Prison Service (SPS)

### Number and value of regulated contracts (2018-19)

In the reporting year, SPS awarded 33 regulated contracts – with an estimated value of £35.38 million.

### Approach

SPS has a well-established procurement team of approximately 18 people. They have mature policies and practices that have existed for many years meaning that the organisation was well-placed when the Duty came into force. There is close liaison between the Procurement team, Operations Directorate and other internal stakeholders with engagement happening from a pre-procurement planning stage, through the tender process and for the duration of live contracts.

Where there is no SPS-wide 'national contract' or collaborative contract, SPS provides devolved procurement authority to undertake transactional procurement at a local level up to the value of £20k. This ensures alignment between SPS taking strategic procurement decisions including around the SPD with providing an appropriate level of local operational flexibility within set policy parameters.

A small team undertakes contract management activity across some 270 live contracts. This includes scheduled meetings with suppliers to monitor and ensure that contracts are delivered as intended including 'soft' outcomes related to the SPD and community benefits.

SPS invests time in ensuring procurement staff have the relevant skills and experience necessary through training and mentoring in the role to confidently take forward activity around the Duty.

### Use of community benefit requirements

SPS has a long history of working with suppliers to encourage community benefits to be delivered – and started doing so over a decade ago on a voluntary basis prior to the Duty coming into force. SPS now routinely considers and reflects the inclusion of community benefits for regulated procurement where the value of the contract is greater than £4m. They are also considered for relevant non-regulated contracts where appropriate and practicable.

SPS has progressively updated its approach to community benefits over the years. As Scotland's prison service they have increasingly sought to focus attention towards activities which provide opportunities for to engage with the SPS's '*priority*' group; people in or leaving custody. There is a synergy between the corporate aspirations of the SPS Employment Strategy and what the procurement activity seeks to achieve here through community benefits.



SPS tends to work in conjunction with suppliers during the pre-tender, tender and contract phase to encourage them to go beyond the traditional narrative, be more creative and work with others to deliver benefits relevant to the priority group, or which support wider socio-economic or environmental outcomes. SPS also actively seeks to engage early with partners who can support or facilitate activity for contractors e.g. the local authority's economic development team.

SPS has experienced challenges in bidder's responses referring to generic outcomes which are not related to the contract in question, or indicating future aspirations rather than clear deliverables. There are however a number of suppliers who see the opportunity to engage with the SPS in terms of developing and shaping a suitably targeted community benefit offer.

SPS keeps records of all contracts that have community benefit outcomes and require suppliers to submit mid and end-year progress reports. This latter part is key to outcomes being fulfilled and being reported in their Annual Procurement Report.

In the reporting year, SPS awarded three new regulated procurement contracts with community benefits and outcomes related to the Duty along with some existing contracts which continue to report outcomes. The suppliers have delivered a large number of community benefits including community initiatives, scholarships, and charity work. SPS activity to encourage main contractors to purchase from supported businesses and social enterprises as part of their supply chain has generated significant value for these sectors.

### **Fair work and living wage**

SPS has been an Accredited Living Wage employer since August 2016. SPS and its suppliers ensure compliance with 'Workforce Matters' commitments including fair work. SPS also periodically takes steps to confirm that relevant contracted suppliers have met their legal obligation to produce and publish a Modern Slavery & Human Trafficking Statement.

### **Facilitating involvement of SMEs, third sector bodies and supported businesses**

SPS regularly contracts with suppliers that are SMEs - approximately 50-60% of the 1,200-1,350 supplier used annually are SMEs.

SPS engages regularly with the British Association for Supported Employment (BASE). This includes direct purchases by the SPS, seeking to get supported businesses linked into main contractor supply-chains, and in respect of work placements or employment opportunities for individuals in custody who happen to be disabled or disadvantaged.

SPS also undertakes significant work with the third sector through a number of contracts and other types of partnering engagement which supports persons in or leaving custody.

### **Approaches to addressing environmental wellbeing**

SPS employs a Sustainability Manager who oversees progress and champions climate change / carbon management activity. SPS has actively made changes within the organisation and premises to increase sustainability, including switching to LED lighting,

installing photovoltaic solar panels and using energy efficient laundry equipment, installing electric vehicle chargers and greening part of the SPS vehicle fleet, etc.

Waste recycling, circular economy and smarter working are three key examples of how SPS is using procurement and contracts to contribute to their climate change activity:

- waste Recycling – 79% of the prison waste streams are processed and recycled with only 21% going to landfill. In-prison activity contributes to this figure by sorting and bulk-baling recyclable materials for uplift by the appointed waste contractor
- circular economy - SPS operates a number of work-based activities around recycling and reuse with third sector partners as part of addressing climate change and supporting the circular economy
- the new vending service contract reflects use of Fair Trade products for all hot beverages
- smarter working – the pilot project encouraged procurement staff to work from other SPS locations and utilise flexible working to reduce travel to work. The emergence of Covid-19 accelerated SPS moving HQ and other staff into home working using lessons learned and the technology from the pilot

## Collaboration

SPS actively supports sectoral and national collaborative procurement activities through use of relevant collaborative contracts and frameworks. This enables SPS to benefit from obligations in these contract which relate to the Duty.

SPS has representation on the Procurement Collaboration Group (PCG); the Central Government (CG) Cluster Group; and participates in the national Scottish Government “Procurement Policy” and Construction forums.

SPS engages with others in the Central Government Sector and the wider public sector in Scotland on topics such as Social Value and supported lessons learned on key procurement exercises.

## Sustainable Procurement Case Study 3

### Name of organisation

Transport Scotland

### Number and value of regulated contracts (2018-19)

In the reporting year, Transport Scotland awarded 24 regulated procurement contracts with an estimated value of £117 million.

### Overview of procurement strategy

Procurement underpins the delivery of Transport Scotland's priorities. It is integrated into the project management process and not undertaken by a centralised procurement function. Instead, this function is delegated to members of staff who are given Delegated Purchasing Authority (DPA) and who have the relevant expertise and training. Transport Scotland's Procurement Team provides a central role in the agency's procurement activity through the support and advice they offer to members of project teams undertaking procurement activity. They ensure that procurements are undertaken in a consistent and accurate manner.

Transport Scotland's 2017-2020 Procurement Strategy plays a key role in supporting the Scottish Government's overall procurement aims to deliver value for money, quality, and sustainability. Their priority is to adopt best practice across the wide range of procurement activity that Scottish Ministers have charged Transport Scotland to deliver. Transport Scotland established four key procurement commitments:

- undertake Transport Scotland procurements in a sustainable manner
- ensure Transport Scotland procurements comply with relevant EU and national legislation and internal policy and governance procedures
- add value through Transport Scotland procurements and promote collaborative procurement opportunities where appropriate to ensure Transport Scotland contracts represent value for money
- maintain a high standard of procurement capability across Transport Scotland through the implementation of best practice and continuous improvement

To successfully deliver on the procurement strategy, Transport Scotland sub-divided these commitments into 30 delivery sub-actions. They measure their procurement progress annually against each sub-action.

### Use of community benefit requirements

Transport Scotland is at the forefront of implementing community benefits into their contracts and improving the accessibility of their procurements to SMEs and supported businesses. The delivery of community benefits are considered for all regulated procurements and are a scored part of the assessment process when appropriate.

Community benefit requirements have a crucial role to play in maximising employment, investing in skills and supporting young people, adults and businesses in Scotland and

Transport Scotland is committed to using them to deliver apprenticeship opportunities and support employers in developing the standards for workplace training.

In the 2018-19 reporting period, Transport Scotland had five regulated procurements above the £4 million threshold that contained community benefits. The community benefits achieved include:

- 739 positions for new entrants
- 312 apprenticeships
- 219 graduate positions
- 142 work placements

In order to promote the use of community benefit requirements within their organisation, Transport Scotland has developed a toolkit to assist project managers when assessing the potential to include community benefit requirements in their procurements. The toolkit provides draft text for inclusion in procurement documents where appropriate, regardless of value. Transport Scotland also provides bi-annual feedback to their suppliers on all aspects of the contract delivery, including community benefits when appropriate, which they say is positively received by suppliers.

Transport Scotland is working towards community benefits being embedded into contract management in a systematic and consistent way in future. In addition, they are working to improve the ways in which community benefits are monitored and their impact is measured. They have created a standard spreadsheet with metrics which is issued to suppliers periodically for completion and they are working with suppliers to encourage them to see the benefit of showcasing what they deliver in relation to community benefits and the competitive advantage that it can give them. They describe industry as having become “mature quickly on this”.

### **Fair work and living wage**

Transport Scotland ensures that they and their suppliers adhere to all relevant legal obligations regarding fair work practices. For selected procurements, questions related to fair work are included in tender documents.

### **Facilitating access to SMEs and third sector bodies**

To encourage access to contracts for SMEs and third sector bodies, Transport Scotland ensures that tender documents for regulated procurements contain sub-contract clauses that specify the use of Public Contracts Scotland (PCS) to advertise sub-contract opportunities.

In addition, the organisation has participated in events such as Meet the Buyer, Procurex, and Roads Expo to engage and highlight opportunities for SMEs and third sector bodies.

### **Facilitating access to supported businesses**

Transport Scotland ensures that supported businesses are considered when a new procurement strategy is developed. The organisation spent almost £5,500 with supported businesses during the reporting period for the following activities:

- supply of personal protective equipment
- printing of the Road Safety bi-annual magazine

To encourage their suppliers to collaborate with supported businesses, Transport Scotland regularly promotes and discusses opportunities at supplier meetings. In the reporting year, their suppliers have placed a number of sub-contracts with supported businesses and social enterprises, with a value of over £350,000.

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## Sustainable Procurement Case Study 4

### Name of organisations

Aberdeen City Council/Aberdeenshire Council/The Highland Council

### Number value of regulated contracts (2018-19)

In the reporting year, Aberdeen City Council awarded 17 regulated procurements with an estimated value of £21,173,927.

In the reporting year, Aberdeenshire Council awarded 40 regulated procurements with an estimated value of £157,725,818.

In the reporting year, Highland Council awarded 20 regulated procurements with an estimated value of £35,235,338.70.

### Procurement strategy

Commercial & Procurement Shared Services (C&PSS) is the joint procurement service for Aberdeen City Council, Aberdeenshire Council, and The Highland Council. The three local authorities procure goods, works and services annually amounting to in excess of £1 billion - by procuring separately, collaboratively, or with other public sector bodies/local authorities. Depending on the strategic importance of the tender it will either be undertaken by the Service, or by the C&PSS.

Their procurement strategy focuses on key themes of Efficiency, Governance, and Improvement and these continue to underpin all procurement activity:

- support the delivery of financial savings and non-financial efficiencies through leverage of a combined contract portfolio
- deliver value and innovation by effective use of category and commercial management techniques and utilisation of spend analytic tools to enable smarter decision-making; identify collaborative opportunities and provide sector-specific market intelligence to inform decision making
- support the local economy by representing the North and East region as a single voice at national framework user intelligence groups to ensure the needs of the communities are considered; maximise opportunities for the local supply chain, SMEs and third sector organisations
- increased collaboration and standardisation without compromising governance/legislative compliance, the approach allows increased focus on:
  - savings capture;
  - market management;
  - effective negotiation;
  - exploration of new business models/opportunities, and
  - social impact.

## Use of community benefit requirements

The three local authorities applied a themed approach to ensure sustainable procurement/community benefits aligned with local and national priorities consistent with the Scottish Model of Procurement. The themes intended to provide procurers and suppliers with a clear, compliant, ideas-driven framework to work consistently within. A few examples of the themes include health, education, community engagement and resource efficiency.

In addition, a diverse range of specific community benefit requirements has been developed for use in regulated procurement contracts. Below is the list of community benefit requirements:

1. Fair work Practices/Real Living Wage
2. Equalities
3. Third sector support
4. Environmental measures
5. Innovation/Case studies
6. Apprenticeships
7. Placements
8. Qualifying the workforce
9. School visits
10. Curriculum support
11. Employability Engagement Activities
12. Supplier development/subcontracting opportunities
13. Prompt payment throughout the supply chain
14. Local economic development measures.
15. Promotion of adoption and fostering

Within the reporting year, each local authority awarded a number of regulated procurements that contained community benefit requirements. Collectively, some of the community benefits delivered included apprenticeships, placements/work experience opportunities, fair work practices and training workshops.

## Facilitating access to SMEs, third sector bodies and supported businesses

The local authorities ensure that bidders have maximum creative freedom and flexibility when presenting evidence of how they deliver community benefits. This process helps to ensure the participation of SMEs and the third sector (based locally or elsewhere) without compromising the scale and range of community benefit outcomes secured and delivered in their contracts.

The local authorities also use the supplier development programme to raise awareness of tender opportunities. The C&PSS held 10 supplier events during the reporting year, including supplier 1-2-1 surgeries and *What Does a Good Tender look like?* events. They also attended the annual Supplier Development Programme (SDP) and *Meet the Buyer North* event. The C&PSS also made use of framework agreements and dynamic purchasing systems.



In addition, C&PSS have developed a partnership with local third sector interface (TSI), Senscot/P4P, local social enterprises and built capacity amongst organisations to respond to procurement opportunities.

### Approaches to addressing environmental wellbeing

The three local authorities have policies in place to guide sustainable procurement activity at a strategic and operation level, contributing directly to Council commitments under the Scottish Climate Change Declaration. The policy assists procurers within the authorities to address the three key aspects of the duties: mitigation (ensuring reduction in greenhouse gases/enhancing carbon storage), adaptation (e.g. flood prevention) and maximising added social, economic and environmental value in their procurements. Examples of how the local authorities are using procurement and contracts to contribute to their climate change activity are below:

- managed Print Contract (Aberdeen City/Aberdeenshire) – the contract eliminated the use of inefficient desktop prints and replaced 3994 printers with power saving energy models. Print policies were put in place to reduce volumes, eliminate waste, reduce resources and energy consumed and promote scanning, duplex and reduce archiving. Since the contract has been implemented, the Sustainability Calculator reports a 30% reduction in energy, greenhouse gas emissions, and solid waste. In terms of user behaviour, evidence supports reduced print volumes of nearly 10% year on year. The contract also embraces hybrid mail (less road miles for deliveries/less paper) and ensures used print cartridges are responsibly recycled
- fuel cell/hydrogen/electric vehicles – the councils have purchased 21 hydrogen (H2) cars and vans. The vehicles were distributed to Community Planning partners, “Co Wheels” Car Club and Aberdeenshire Council. In addition, three electric vans were purchased and six electric Env 200 vans were leased. The electric vehicle charge-point network was expanded (by six charging points – four of which are rapid recharging) to encourage the communities to purchase more electric vehicles. The authorities are also in the process of purchasing two dual fuel hydrogen/diesel refuse collection vehicles, one large sweeper and fuel cell H2 RCVs
- Aberdeen hydrogen bus project – in the upcoming year (2019/20), to reduce carbon emissions, 15 new hydrogen double decker buses (replacing diesel) will be purchased, which will emit water vapour
- energy from waste – a new zero waste project that will be awarded in the next annual reporting year. The project provides a long-term solution for non-recyclable waste produced in the NE of Scotland. Facility will provide a viable solution for residual waste that will generate significant, wider benefits for example, electricity generation and heat for local residents as a sustainable means of reducing fuel poverty. The forecasts indicate that the plant will process circa 150,000 tonnes of non-recyclable waste per annum. The plant will use high temperature combustion to provide electricity and heat through the production of steam – forecasts show that around 10MW of electricity, and/or 20MW of heat as steam or hot water will be produced. The project has the potential to heat 10,000 homes which would otherwise be reliant on fossil fuels

## Collaboration

C&PSS enables a greater level of collaboration and standardisation across the three partner local authorities in the following areas:

- identifying collaborative procurement opportunities to generate best value
- identifying the spend opportunities that can be consolidated and aggregated to generate best value
- identifying product rationalisation and alternatives to generate best value
- sharing of best practice and processes to identify standardisation, consistency, efficiency and effectiveness
- identifying commercial opportunities (including income generation) for the future
- identifying new service delivery models
- maximising the benefits of digital technology, e.g. purchase to pay processes, electronic tendering, e-auctions and dynamic purchasing systems

The three partners take advantage of the above opportunities as appropriate.

## Appendix 2: The Sustainable Procurement Duty’s contribution to national outcomes

Indicator	Sector				
	Health	Local Government	Central Government	Registered Social Landlords	Universities & Colleges
1 Grow up loved, safe and respected so that they realise their full potential					
2 Live in communities that are inclusive, empowered, resilient and safe		<b>COMMUNITY</b> One local authority commissioned a contractor to refurbish and replace external lighting at local play area to allow children to use the play area 50 weeks per year (survey response)	<b>SAFE</b> “The Scottish Fire and Rescue Service continues to seek new ways of supporting service delivery through the introduction of new technology. One example of this was the Rapid Response Unit procurement exercise which involved the introduction of innovative firefighting vehicles and equipment, including new technologies, into our fleet which was successfully delivered working in partnership with the supplier, Emergency One. This approach will continue with future projects linked to Service Transformation, to enhance service delivery and increase firefighter safety.” (The Scottish Fire and Rescue Service, Annual Procurement Report, 2017-18)		
3 Are creative and their vibrant and diverse cultures are expressed and enjoyed widely	<b>CREATIVE</b> NHS Greater Glasgow & Clyde’s interpreting, communications support and translation services contracts include	<b>CREATIVE</b> A contract for educational materials included a requirement related to the donation of A4 packs of paper, card and			

		<p>various community benefit requirements such as the provision of free interpretation support for public art and community projects (NHS Greater Glasgow &amp; Clyde, Annual Procurement Report, 2018-19)</p>	<p>board to local schools (Dumfries &amp; Galloway Council, Annual Procurement Report, 2018-19)</p>			
4	<p>Have a globally competitive, entrepreneurial, inclusive and sustainable economy</p>	<p><b>INNOVATIVE</b> "Emerging technological developments in the fields of Artificial Intelligence (AI) and Blockchain will be at the centre of new objectives laid out in the Procurement Strategy 2019" (NHS Tayside, Annual Procurement Report, 2018-19)</p>	<p><b>INCLUSIVE</b> "The involvement of supported businesses is considered in the council's sourcing strategy for new tenders. Although the council has not reserved any open or restricted tenders to SB, it has in place a number of contracts with organisations defined as supported by the ready for business website and the British Association of Supported Employment." (South Lanarkshire Council, Annual Procurement Report, 2017-18)</p>	<p><b>ENTREPRENEURIAL</b> Scottish Government has launched the CivTech Programme, a project that fosters innovation by funding SMEs to deliver creative solutions to challenges set by different public sector bodies. Some challenges in CivTech 3.0 included "How can tech help stop illicit trading?" and "How can we use data to drive up standards in social rented housing?" (Scottish Government, Annual Procurement Report, 2018-19)</p>	<p><b>INCLUSIVE</b> "The Hillcrest Group is committed to exercising 'open' tendering. There is a strong drive to provide support and guidance to organisations who ask for assistance. The Group actively promotes training and information sharing with various organisations to support businesses enabling them to effectively participate in a tendering process." (Hillcrest Group, Annual Procurement Report, 2017-18)</p>	<p><b>INNOVATIVE</b> "[Public body] delivers innovation in all our research, in teaching and service excellence operations or community engagements; we are a key partner in the major Data Driven Innovation for the City Region Deal. We have won awards for innovation in competitive dialogue procurements and community benefits as seen in the examples given in 2018-19 annual procurement report" (survey response)</p>

5	Are well educated, skilled and able to contribute to society	<p><b>SKILLED + EDUCATED</b> 21 School educational visits with over 600 pupils involved, support for 26 school career events, 10 visits to support universities, delivery of 24 work experience placements of unemployed people, employment of 14 traditional apprentices (Public body annual procurement report, 2017-18)</p>	<p><b>SKILLED + EDUCATED</b> One public body supports school employability programmes helping school leavers to achieve positive destinations through education, employment and training (Public body annual procurement report, 2017-18)</p>	<p><b>SKILLED + EDUCATED</b> "SPS works with the British Association for Supported Employment to identify contract opportunities for supported businesses. SPS Procurement, and Enterprise and Employability teams also host a stand at the Procurex National Conference with BASE. They make use of reserved contracts and support use of supported businesses internally. BASE and its members are supportive in providing work placements or employment opportunities for people in or leaving custody." (Scottish Prison Service, Annual Procurement Report, 2017-18)</p>	<p><b>SKILLED + EDUCATED</b> "Officers within Hillcrest, involved in procurement and tendering, have undergone training with the Scottish Federation of Housing Associations and attended various conferences and sessions to increase their knowledge. Hillcrest is currently investigating a range of formal qualifications that could be undertaken by staff to further support the procurement function." (Hillcrest Group, Annual Procurement Report, 2017-18)</p>	<p><b>SKILLED + EDUCATED</b> A construction contract at the University of Aberdeen resulted in, among other requirements, five apprenticeships, 24 work experience placements and nine site visits by school groups (University of Aberdeen, Annual Procurement Report, 2018-19)</p>
6	Value, enjoy, protect and enhance their environment	<p><b>PROTECTING ENVIRONMENT</b> NHS Scotland has been recognised internationally by the UN Conference on Sustainable Production for its new plastic measures, where the replacement of 60ml pots with 30ml pots resulted in reduction of virgin plastic consumption by approximately 12 tonnes across NHS Scotland (NHS National Procurement, Annual Procurement Report, 2017-18)</p>	<p><b>PROTECTING ENVIRONMENT</b> Notable examples from Fife Council include eliminating the purchase of plastic teaspoons for council offices and schools, plastic straws for council offices and plastic cups (and trial of paper cups as an alternative) at larger council offices (Fife Council, Annual Procurement Report, 2018-19)</p>	<p><b>PROTECTING ENVIRONMENT</b> The contractor on Transport Scotland's A737 Dalry Bypass project used electric and low emission vehicles - "this is the first time these have been used on a major road construction contract in Scotland". In addition, the contractor re-used around 84% of the materials it excavated to construct the road and embankments. (Transport Scotland, Annual Procurement Report, 2018-19)</p>	<p><b>PROTECTING ENVIRONMENT</b> "Our design brief for all new build and major repair and improvement works include the requirement to design homes which optimise the use of finite natural resources, consumption and the production of waste and emissions" (Public body annual procurement report, 2017-18)</p>	<p><b>PROTECTING ENVIRONMENT</b> "Sustainable Procurement is actively promoted within every Framework Agreement led by APUC but this has also been addressed within APUC Offices. There is a ban on single use plastic bottles and coffee cups in all APUC offices and at corporate events. Furthermore, milk is delivered to each of the core APUC offices in constantly returned glass bottles and all working lunches held by APUC are</p>

					vegetarian/pescatarian only." (APUC, Annual Procurement Report, 2017-18)	
7	Have thriving and innovative businesses, with quality jobs and fair work for everyone	<b>FAIR WORK</b> One public body "included corporate and social responsibility factors in the tender evaluation criteria in order to recognise employers who pay the real living wage, employ local people through apprenticeship schemes and/or are involved with local charities." (Public body annual procurement report, 2017-18)	<b>THRIVING BUSINESSES</b> Glasgow City Council provided 132 hours of Business Mentoring for an SME (Glasgow City Council, Annual Procurement Report, 2018-19)	<b>QUALITY JOBS</b> The community benefits delivered by Transport Scotland's live contracts in 2018-19 included 739 new entrants positions, 312 apprenticeships, 219 graduate positions and 142 work placements (Transport Scotland, Annual Procurement Report, 2018-19)	<b>FAIR WORK</b> "[Public body] insists that those working on their contracts must, as a minimum, be paid the Real Living Wage:- The following is an extract from the guidance provided to each Quality Response document on Fair Work Principles. Question: Demonstration of a positive approach to rewarding staff at a level that helps tackle inequality (e.g. through a commitment to paying at least the Living Wage:- Demonstration of wider diversity of your staff; Demonstration of skills, training, and opportunities to use skills; Demonstration of non-exploitative employment practices (e.g.	<b>FAIR WORK</b> "The University of Glasgow is proud to be an Accredited Living Wage employer. This means: We are committed to paying all employees at least the Living Wage. We ensure that all casual workers engaged directly by the University are paid at least the Living Wage. We have set up our procurement procedures to ensure that we engage with contractors and potential contractors to encourage them, as far as possible, to also pay the Living Wage to people regularly working on our premises." (University of Glasgow, Annual

				inappropriate use of zero-hours contracts)" (survey response)	Procurement Report, 2017-18)
8	Are healthy and active	<b>HEALTHY + ACTIVE</b> The development of Garden Pathways at Ayrshire Central Hospital enhances access to green spaces and opportunities to increase exercise for patients, staff and visitors. Local community groups are involved with the maintenance and use of the green space developed. (NHS Ayrshire & Arran, Annual Procurement Report, 2017-18)	<b>HEALTHY + ACTIVE</b> One public body encouraged children to be active by sponsoring local activities e.g. local football team (survey response)		<b>HEALTHY + ACTIVE</b> Glasgow Kelvin College's procurement report detailed the opening of Glasgow Kelvin Velocity, an innovative cycling hub based at the College's Springburn campus. This has contributed to the college's sustainability objectives through the delivery of drop-in bike fix sessions, promotion of active travel and bike breakfasts events. (Glasgow Kelvin College, Annual Procurement Report, 2017-18)
9	Respect, protect and fulfil human rights and live free from discrimination		<b>HUMAN RIGHTS</b> "Ensure that supply chain conditions and the potential for worker exploitation are taken into account where appropriate and mitigate risk through rigorous contract management" (Public body annual procurement report, 2017-18)		<b>HUMAN RIGHTS</b> "Where appropriate, we include social and environmental criteria in our tender processes. We use the APUC Supply Chain Code of Conduct where suppliers are required to confirm that they, and their supply chains, do not use forced, involuntary or underage labour, that they do provide suitable working conditions and terms and treat employees fairly." (Public



					body annual procurement report, 2017-18)
10	Are open, connected and make a positive contribution internationally				
11	Tackle poverty by sharing opportunities, wealth and power more equally	<p><b>OPPORTUNITIES</b> A contract for the provision of school and local transport services in Oban and Lorn led to the creation an apprenticeship opportunity, the recruitment of a Human Resources graduate to support the business, PCV driver licence training for new recruits who had either been out of work or were changing career (Argyll &amp; Bute Council, Annual Procurement Report, 2018-19)</p>	<p><b>TACKLING POVERTY</b> The Scottish Social Services Council framework for catering services include various community benefit requirements related to charitable donations and fundraising including food donations to a local homeless charity and fundraising activities for Roxburgh House (an NHS Palliative Care Unit) and Children’s Hospices Across Scotland (CHAS) (Scottish Social Services Council, Annual Procurement Report, 2018-19)</p>	<p><b>OPPORTUNITIES</b> Cassiltoun Housing Association’s contract to build 42 new housing units created three jobs for local residents between October 2018 and March 2019 (Cassiltoun Housing Association, Annual Procurement Report, 2018-19)</p>	<p><b>TACKING POVERTY</b> Robert Gordon University’s nursery services contract includes a requirement for the contractor to support a local refuge or homeless shelter and create a space where disadvantaged children can play and learn. (Robert Gordon University, Annual Procurement Report, 2018-19)</p>

# Appendix 3: Analysis of level of detail provided in 2017-18 annual procurement reports

Our analysis of the information provided by public bodies in their 2017-18 annual procurement reports included analysis of whether public bodies' annual reports contained reference to the different aspects of the Duty, as well as an assessment of the level of detail that public bodies provided in relation to each element of the Duty. We categorised the level of detail in reports as:

- very detailed, where there was a detailed, clear and comprehensive description of the body's approach to that aspect of the Duty, supported by detailed examples of activity and, in some cases, impact
- sufficiently detailed, where there was a clear description of the body's approach with some examples, and
- minimally detailed, where there was a very brief or no description of the body's approach with no or limited examples.

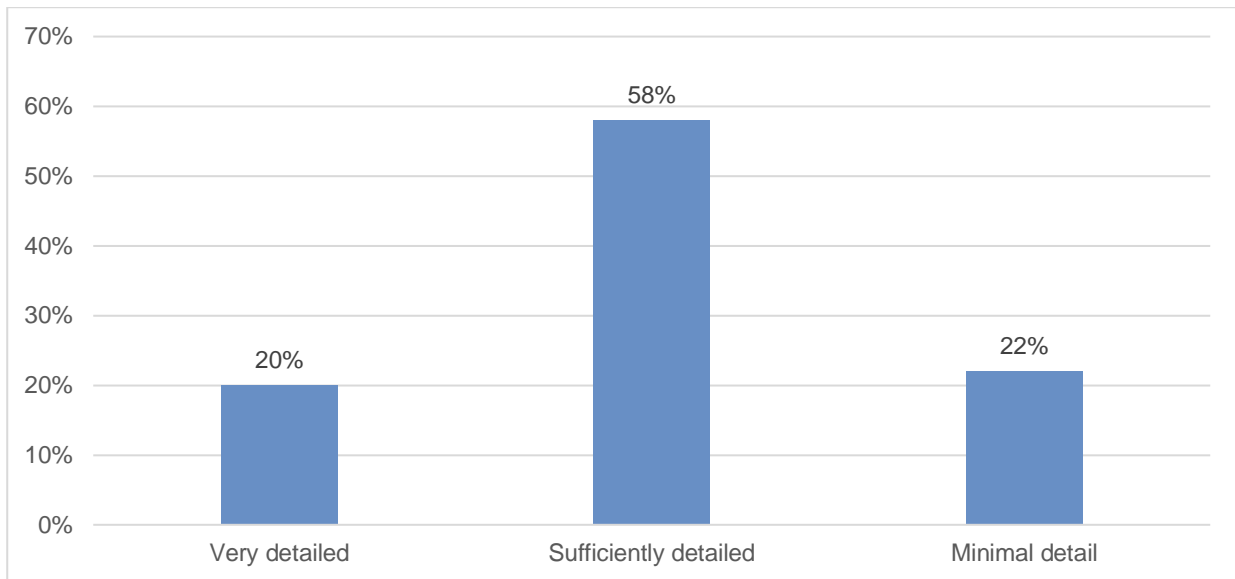
This appendix contains details of the extent to which the elements of the Duty were referenced in 2017-18 annual procurement reports, and the level of detail provided in relation to each

## Community benefit requirements

All public bodies that submitted an annual procurement report in 2018 and/or 2019 included some reference to community benefit requirements, whether or not they had imposed any requirements in the reporting period.

However, the level of detail provided by public bodies in these reports varies significantly. Figure A3.1 shows that most public bodies provided a sufficient level of detail in their 2018 annual procurement reports (67, 58%), while 23 (20%) provided a very detailed account of their approach to community benefits, and 25 (22%) gave only minimal details. Those classified as providing minimal detail often only provided a brief statement of their policy about community benefit requirements with little or no detail about how they implement the policy, or of the community benefits achieved.

Figure A3.1 Level of detail provided about community benefit requirements (n=115)



These ratings were broadly similar across all sectors, but local government bodies (8, 27%) and universities and colleges (8, 31%) were more likely than public bodies in other sectors to provide very detailed accounts, and reports with minimal detail are more common among registered social landlords (5, 45%).

### Improving environmental wellbeing

Seventy-three public bodies (63%) referenced an aspect of environmental wellbeing in their 2017-18 procurement reports. Of the public bodies that did so, the largest proportion were universities and colleges (23, 32%), followed by central government and other significant bodies (19, 26%) (Figure A3.2).

Figure A3.2 Organisations that referenced environmental wellbeing

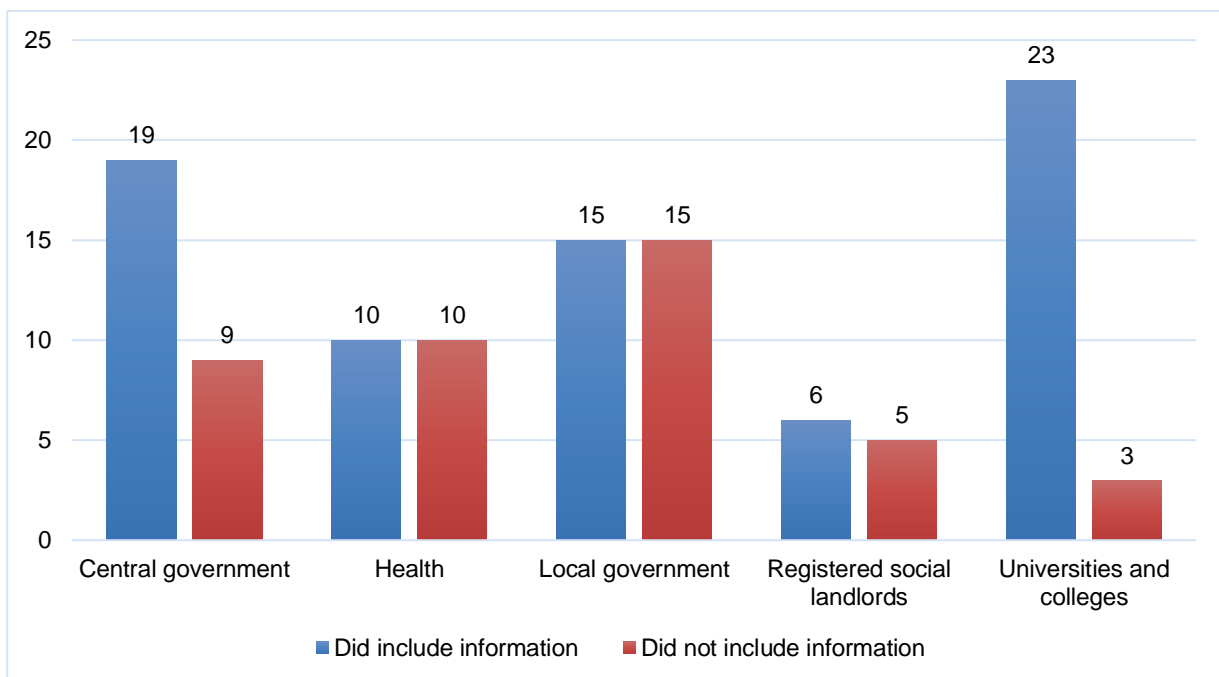
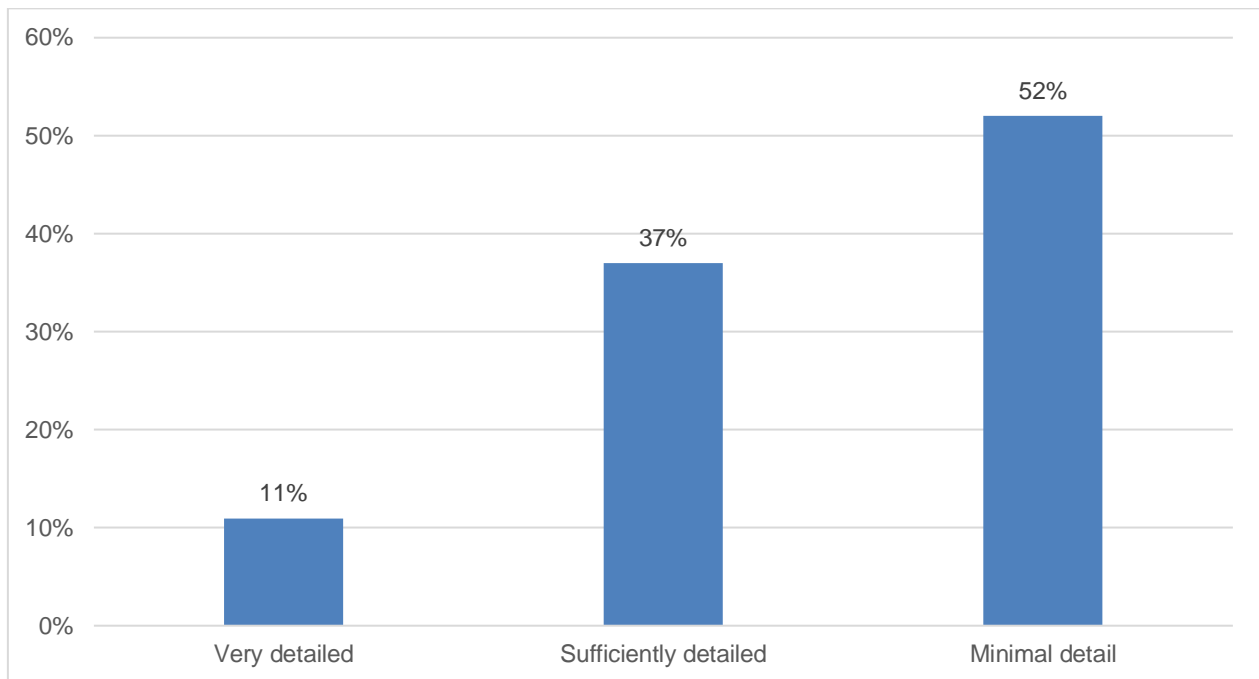


Figure A3.3 shows that over half of the public bodies that included information on environmental wellbeing in their reports provided a minimal level of detail (38, 52%), followed by 27 bodies (37%) providing a sufficient account of their approach to environmental wellbeing, and only eight bodies (11%) providing very detailed responses. The reports that contained minimal detail when referencing environmental wellbeing were most commonly submitted by local government (14, 37%) and central government bodies (11, 29%). The majority of very detailed accounts of environmental wellbeing were submitted by universities and colleges (4, 50%).

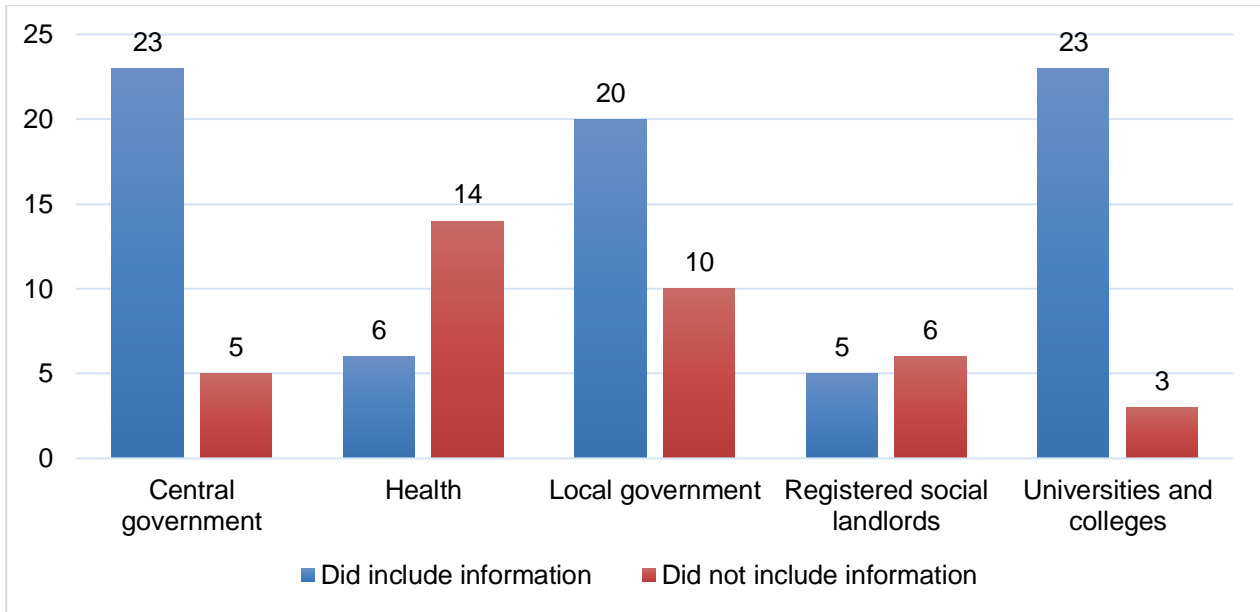
Figure A3.3 Level of detail provided about environmental wellbeing (n=73)



## Fair work

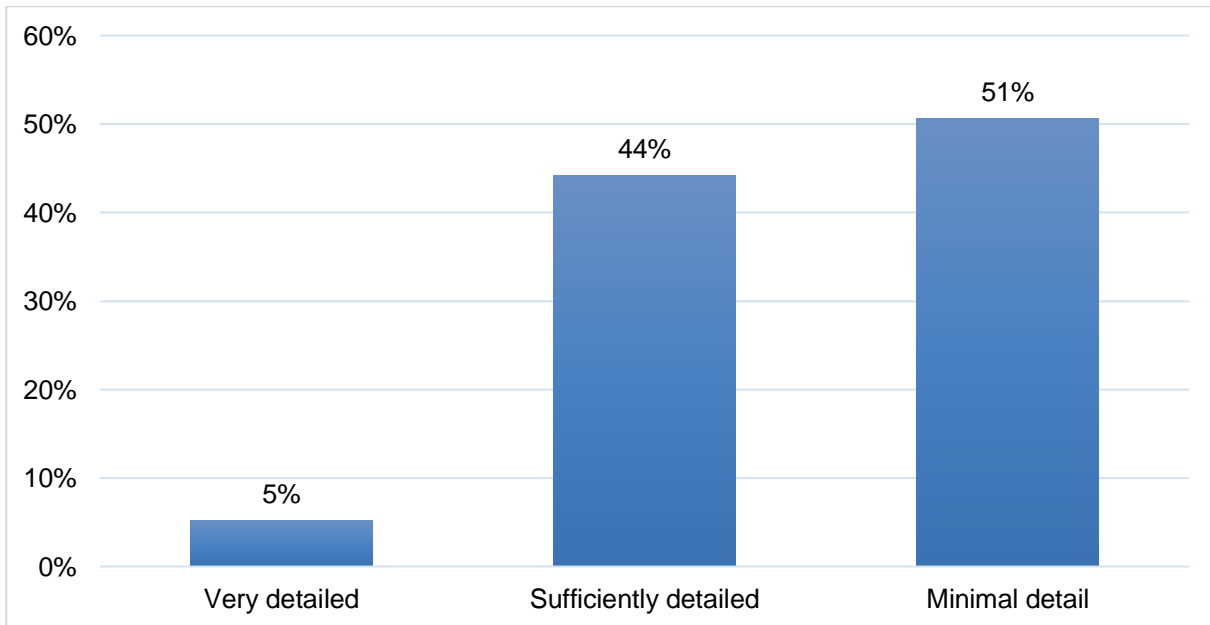
Seventy-seven public bodies (67% of the 115 that published an annual procurement report in 2017-18) referenced an aspect of fair work practices in their report. Of the public bodies that did so, the largest proportion were central government and other significant bodies (23, 30%) and university and colleges (23, 30%); followed by local governments (20, 26%) (Figure A3.4).

Figure A3.4 Organisations that referenced this aspect of the Duty



The level of detail provided by public bodies in relation to fair work practices was mixed. Only four public bodies (5%) included a very detailed account of how fair work practices they have incorporated in their procurement process. As Figure A3.5 shows, however, more than half of public bodies 39 (51%) provided minimal detail, with the remainder 34 (44%) of public bodies providing sufficient detail.

Figure A3.5 Level of detail provided about fair work (n=77)



## The real Living Wage

Seventy-six public bodies (66% of the 115 that published an annual procurement report in 2018) included some reference to the payment of the real Living Wage in their report. Of the public bodies that did reference the real Living Wage, the largest proportion were central government and other significant bodies (22, 29%) and university and colleges (22, 29%), closely followed by local authorities (18, 24%) (Figure A3.6).

Figure A3.6 Organisations that referenced the real Living Wage

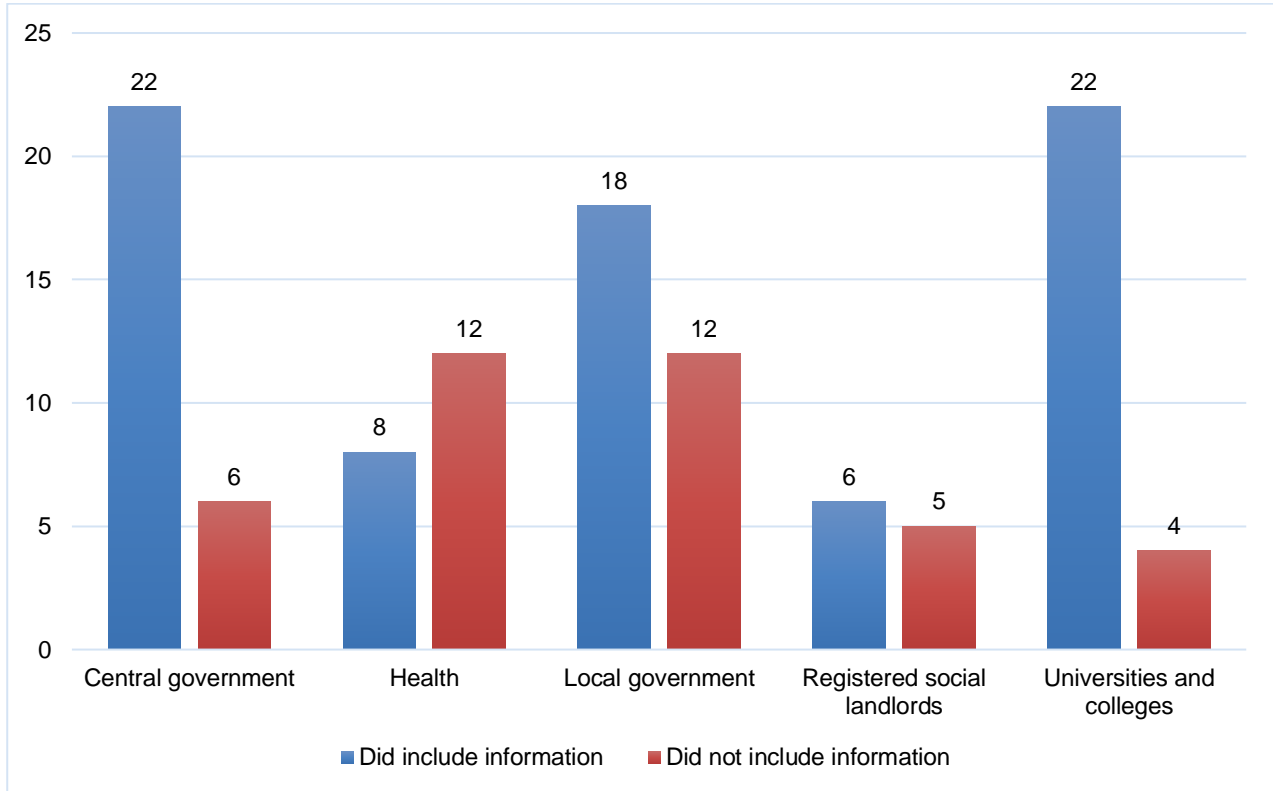
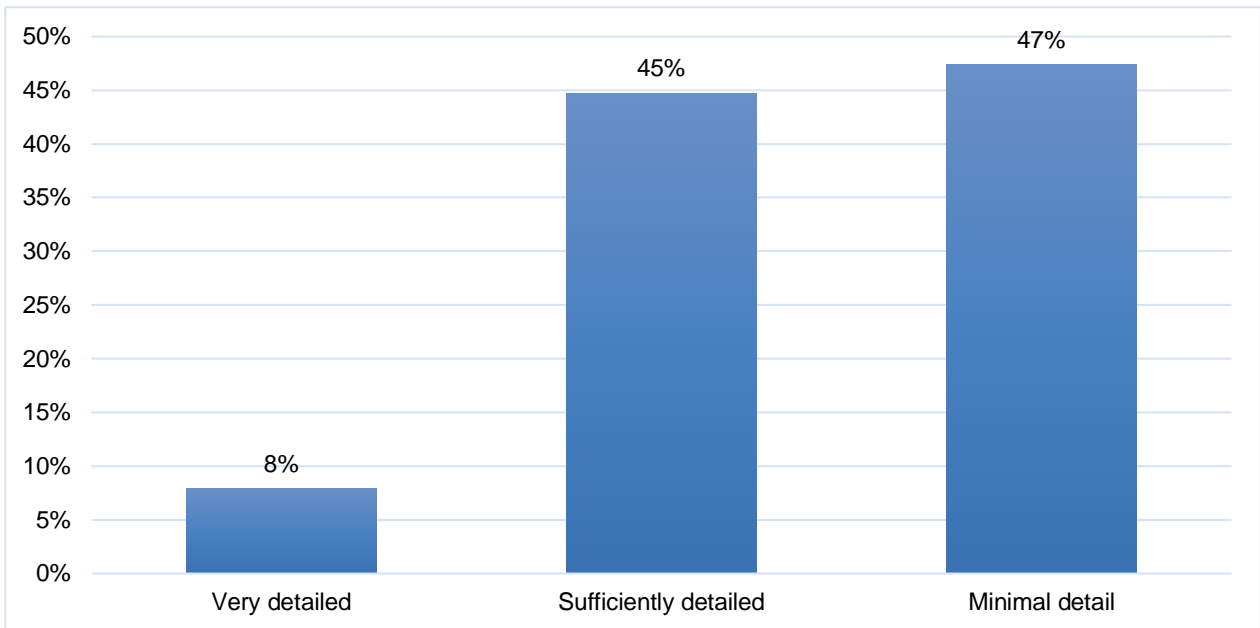


Figure A3.7 shows that 36 public bodies (47%) provided only minimal detail about the real Living Wage, 34 (45%) gave sufficient detail and only six (8%) included very detailed descriptions.

Figure A3.7 Level of detail provided about the real Living Wage (n=76)



## Fairly and ethically traded goods

Thirty-nine (34%) public bodies that submitted an annual report in 2018 included some reference to encouraging the use of ethical supply chains during the reporting year. Of the public bodies that did reference this, the largest proportion were universities and colleges (18, 46%) (Figure A3.8).

Figure A3.8 Organisations that reference ethical supply chains

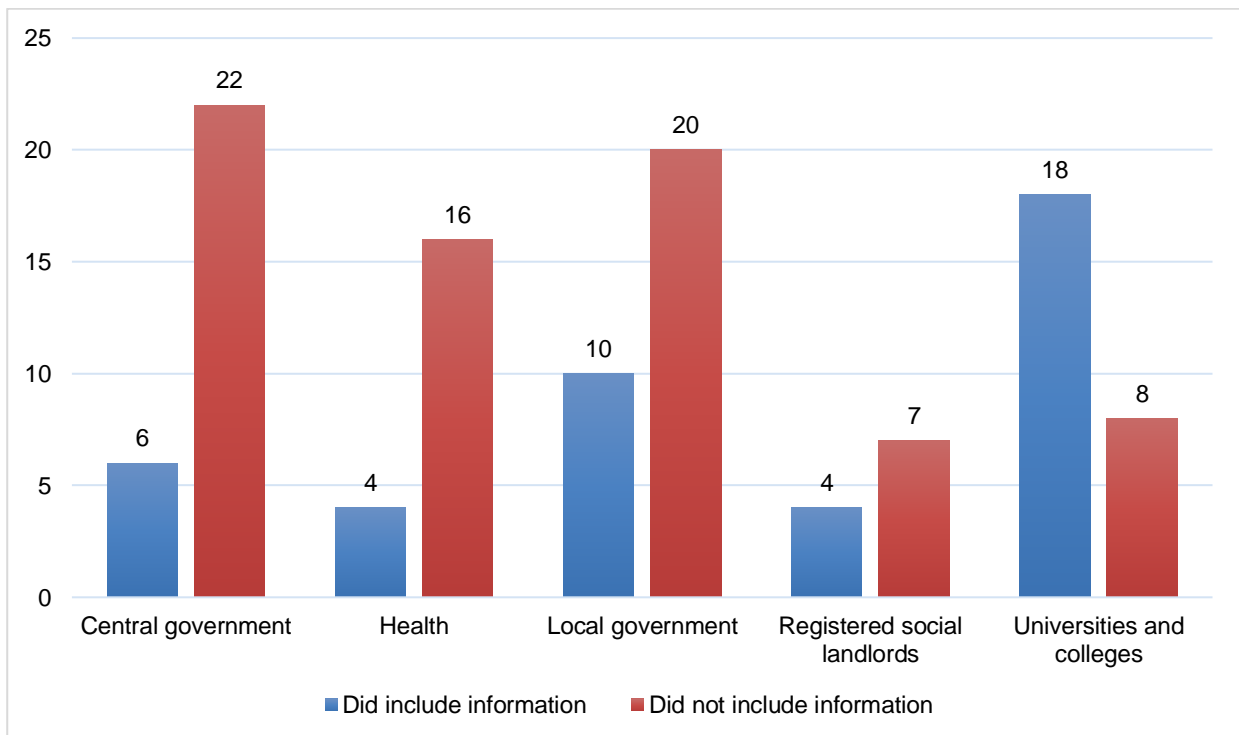
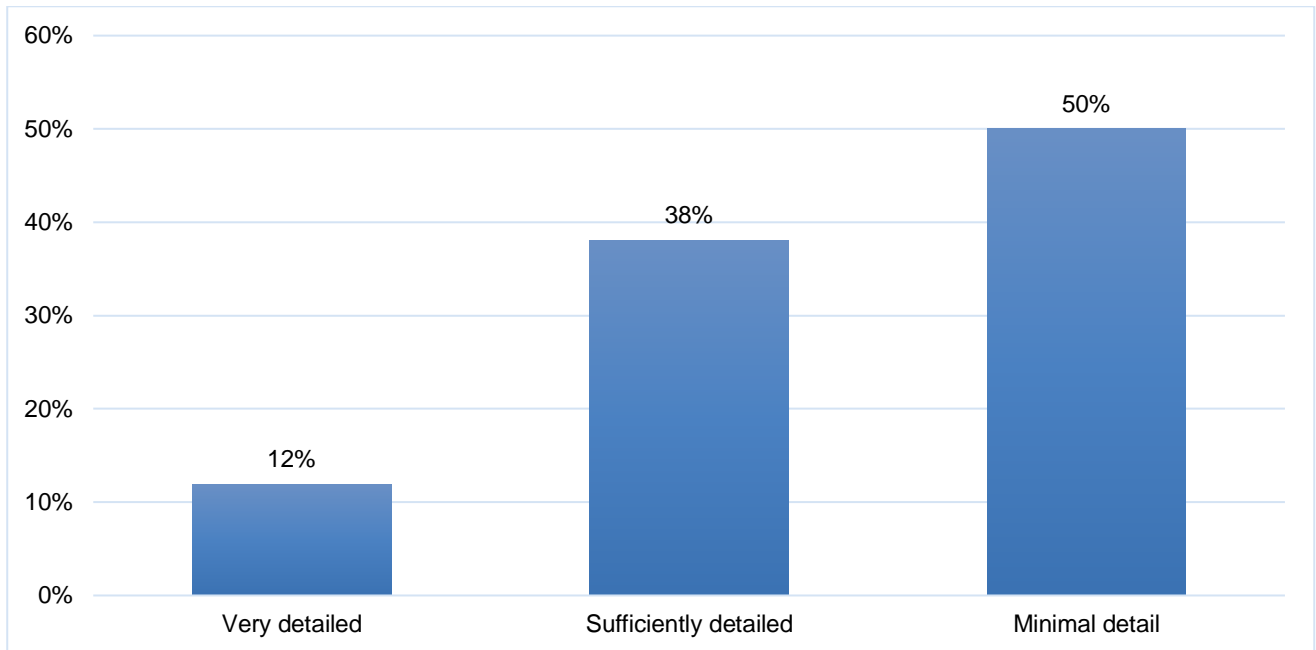




Figure A3.9 indicates that 21 public bodies (50%) gave details about ethical supply chains that could be described as minimal, 16 (38%) gave sufficient detail and only five (12%) included very detailed descriptions.

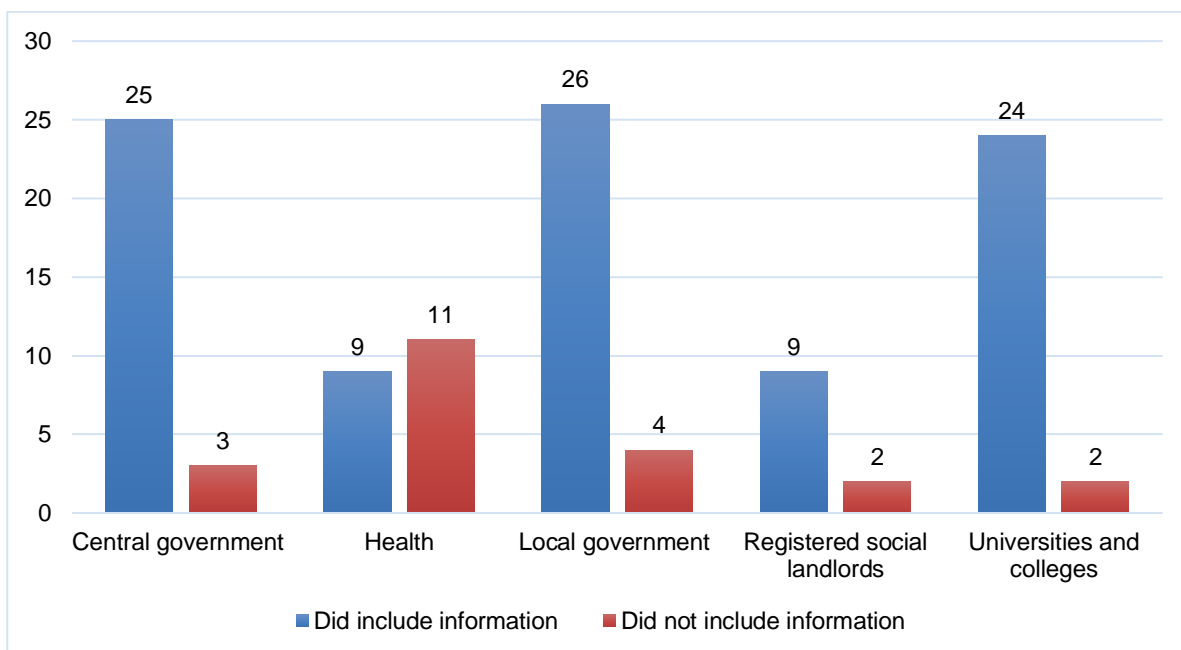
Figure A3.9 Level of detail provided about ethical supply chains (n=42)



## Involving SMEs

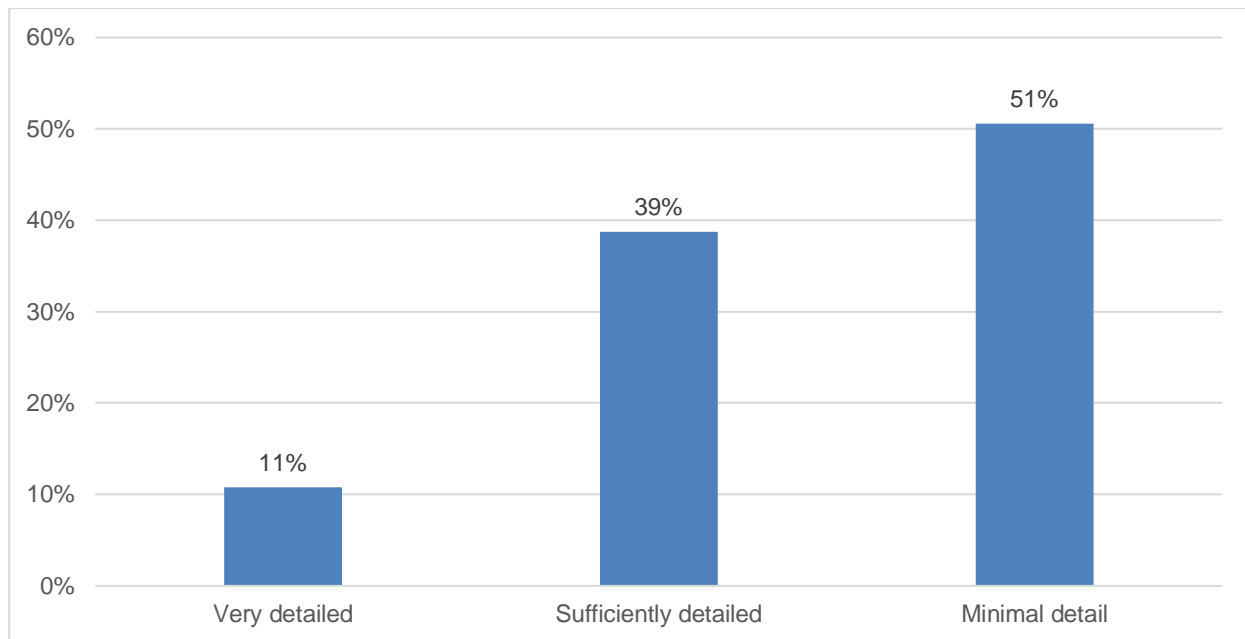
Ninety-three (81%) public bodies that submitted an annual procurement report in 2018 included some reference to facilitating the involvement of SMEs during the reporting year. Of the public bodies that did reference this aspect of the Duty, the largest proportion were local authorities (26, 28%), closely followed by central government and other significant bodies (25, 27%), and universities and colleges (24, 26%) (Figure A3.10).

Figure A3.10 Organisations that referenced facilitating the involvement of SMEs



The extent of detail provided by public bodies on the ways in which they facilitated the access of SMEs was mixed. Figure A3.11 shows that 47 (51%) public bodies that referenced facilitation of SMEs in their 2018 annual procurement report only provided a minimal level of detail; 36 public bodies (39%) provided a reasonable account of how they facilitated the involvement of SMEs, while only 10 public bodies (11%) provided very detailed responses.

Figure A3.11 Level of detail provided by the organisation about facilitating the involvement of SMEs (n=93)



### Involving third sector bodies

Fifty-seven public bodies (50%) that submitted an annual procurement report in 2018 included some reference to facilitating the involvement of third sector bodies. Of the public bodies that did reference this aspect of the Duty, the largest proportion were local government bodies (20, 35%), followed by central government and other significant bodies (17, 30%) (Figure A3.12).

Figure A3.12 Organisations that referenced facilitating the involvement of third sector bodies

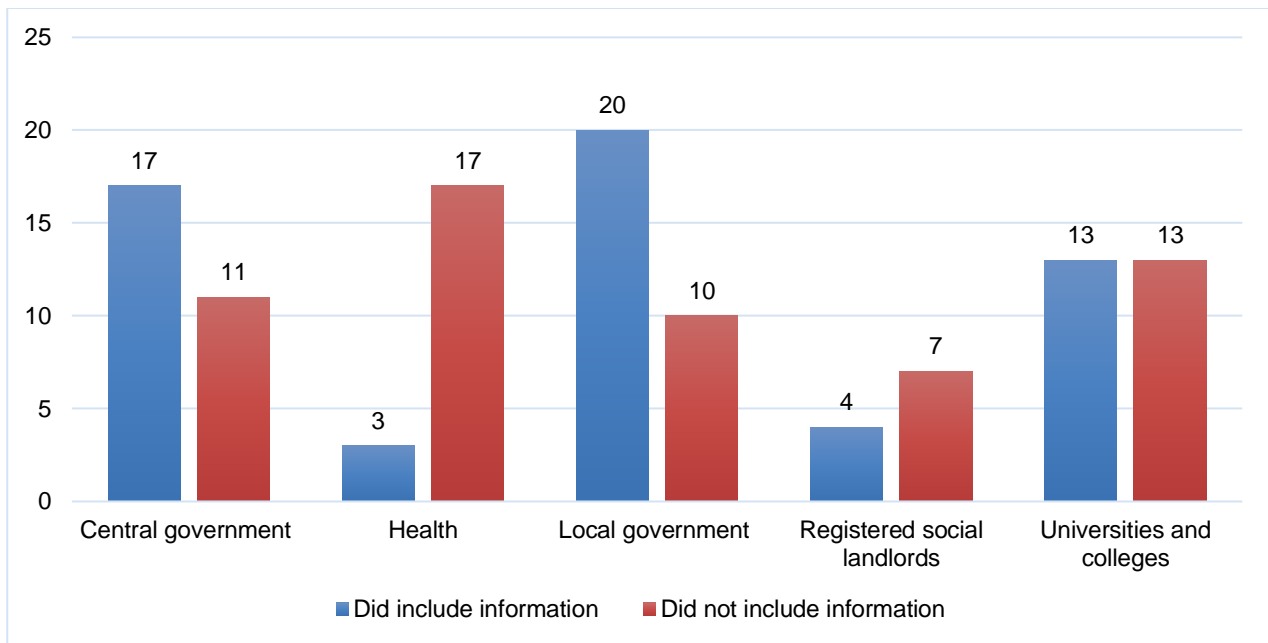
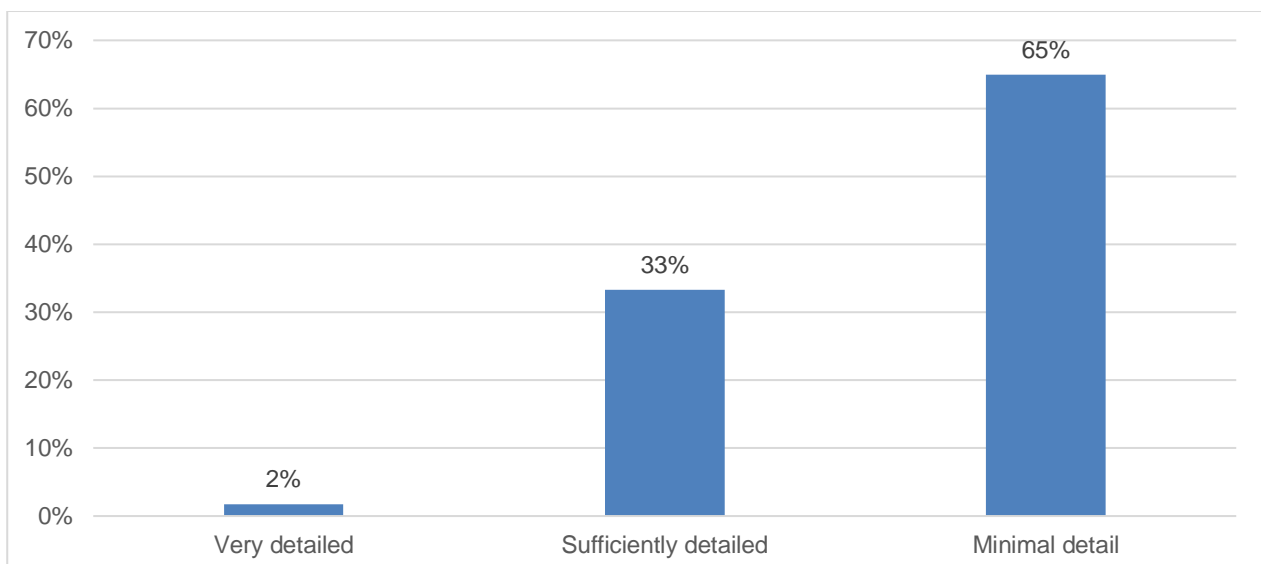


Figure A3.13 shows that 37 of the public bodies (65%) which included information about how they aimed to involve third sector bodies in their procurement activities provided a minimum level of detail; 19 bodies (33%) provided a sufficient account of how they facilitated the involvement of third sector bodies and only one public body (2%) provided a very detailed account (this was a local authority).

Figure A3.13 Level of detail provided by the organisation about the involvement of third sector bodies (n=57)

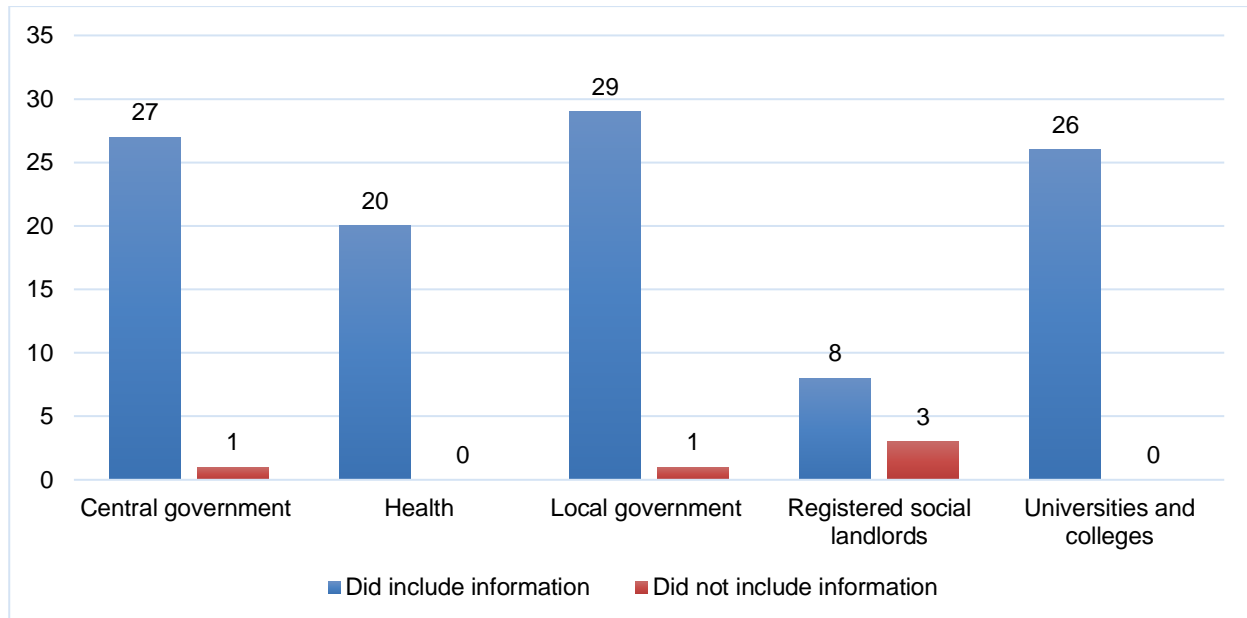


### Involving supported businesses

One hundred and ten (96%) public bodies that submitted an annual procurement report in 2018 included some reference to facilitating the involvement of supported businesses with

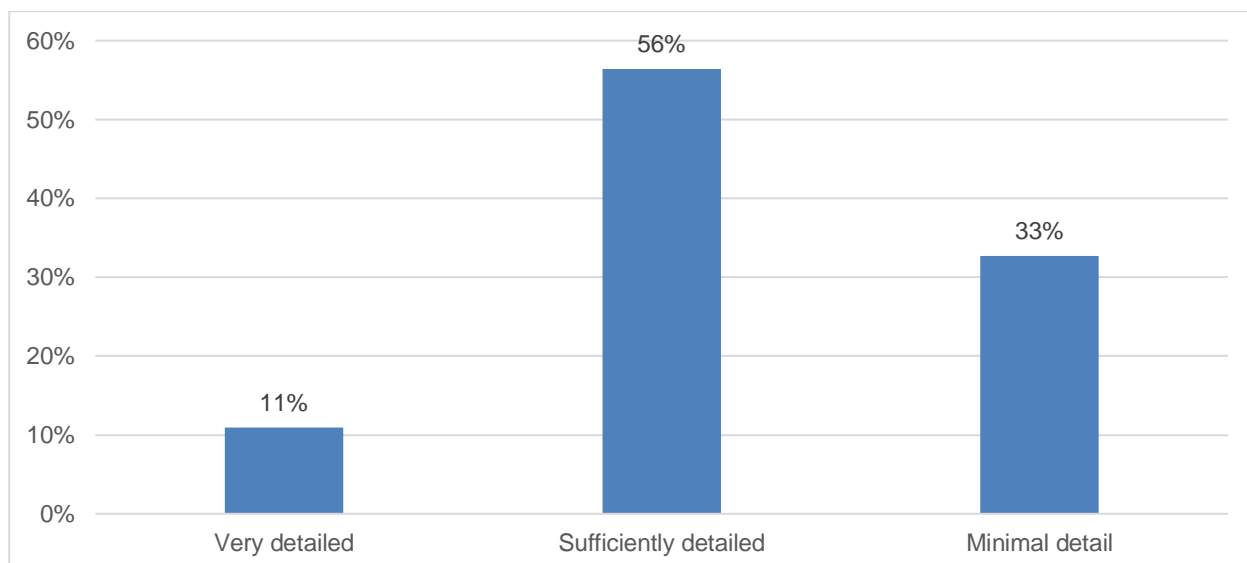
only four organisations not providing this information. This is a strong indication of widespread compliance with the Duty – and it is important to note that even those that did not report that they are doing so may be involving supported businesses in practice (Figure A3.14).

Figure A3.14 Organisations that referenced facilitating the involvement of supported businesses



While Figure A3.15 shows that most public bodies provided a sufficient level of detail in their 2018 annual procurement reports (62, 56%), only 12 (11%) provided a very detailed account of their approach to facilitating the involvement of supported businesses, and 36 (33%) provided only minimal detail suggesting that there remains room for improvement in relation to reporting.

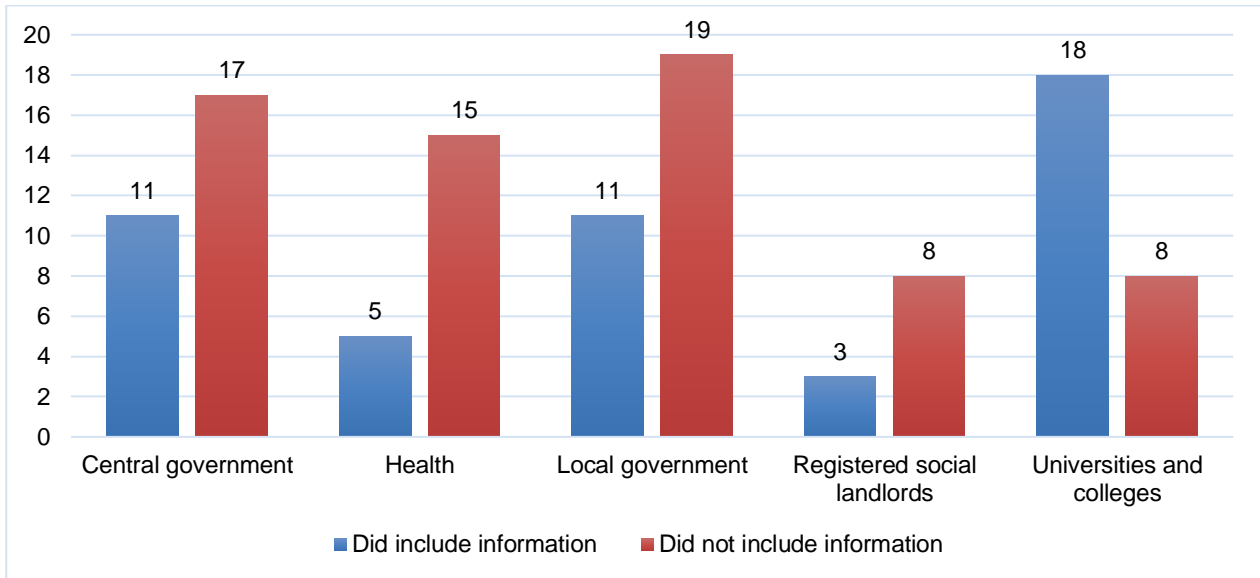
Figure A3.15 Level of detail provided about involving supported businesses (n=110)



## Promoting innovation

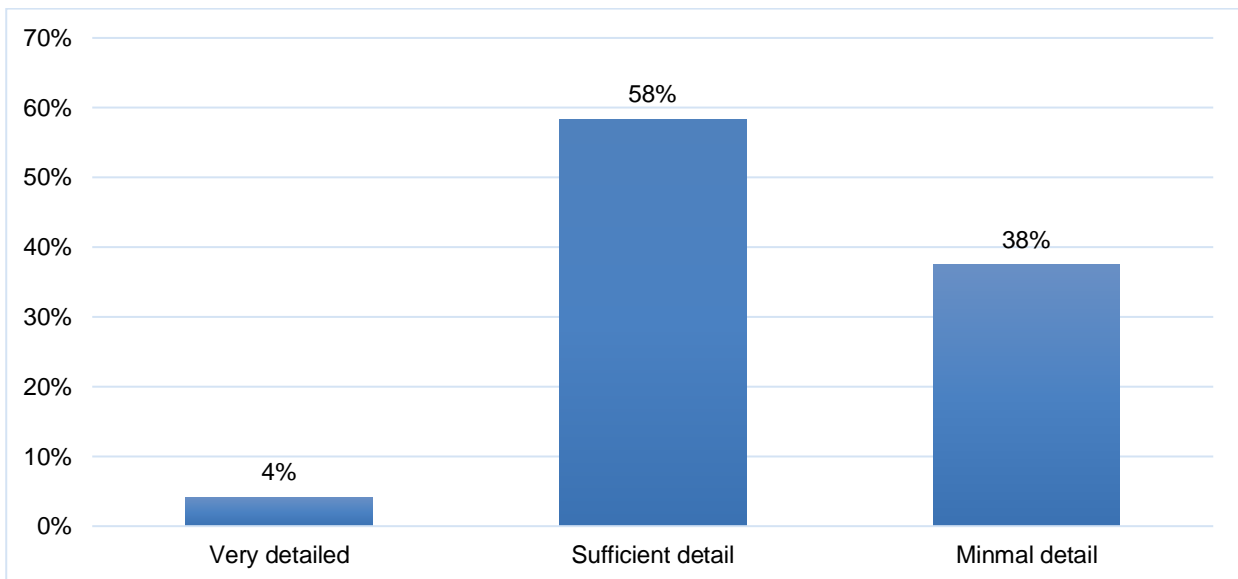
Less than half of all 2017-18 annual procurement reports submitted by public bodies contained a reference to promoting innovation. In total, 42% (48) of public bodies included this information in their annual procurement report. The chart below provides a breakdown by sector (Figure A3.16).

Figure A3.16 Number of 2017-18 annual procurements with a reference to promoting innovation (n=115)



The level of detail provided in relation to promoting innovation provided by public bodies varied significantly. Over half (28, 58%) of the reports which referenced innovation contained sufficient detail about this aspect of the Duty. However, only two public bodies (4%) included a very detailed section on innovation (Figure A3.17).

Figure A3.17 Level of detail provided about promoting innovation (n=48)



## Appendix 4: Further examples of community benefit requirements

This appendix contains further examples of community benefit requirements imposed by public bodies, in addition to the examples laid out in Chapter 2.

### **Employability outcomes (work placements, apprenticeships, opportunities for training and qualifications, job creation, and other employability-related activity)**

- the community benefits delivered by Transport Scotland's live contracts in 2018-19 included 739 positions for new entrants, 312 apprenticeships, 219 graduate positions and 142 work placements<sup>155</sup>
- Edinburgh College's outsourced facilities management contract has resulted in five work placements for students looking to get experience in the workplace and one apprenticeship<sup>156</sup>
- in Dumfries & Galloway, an engineering contract included a commitment for the contractor to hold a STEM careers event at a local high school<sup>157</sup>
- a construction contract at the University of Aberdeen resulted in, among other requirements, five apprenticeships, 24 work experience placements and nine site visits by school groups<sup>158</sup>
- Cassiltoun Housing Association's contract to build 42 new housing units created three jobs for local residents between October 2018 and March 2019<sup>159</sup>
- Fife Council reported that the community benefits achieved in 2018-19 include 15 jobs, nine apprenticeships and 13 qualifications achieved through training<sup>160</sup>

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<sup>155</sup> Transport Scotland, Annual procurement report, 2018-19, <https://www.transport.gov.scot/media/46776/transport-scotland-annual-procurement-report-2019.pdf>

<sup>156</sup> Edinburgh College, Annual procurement report, 2018-19, <http://doc.edinburghcollege.ac.uk/procurement/annual%20procurement%20report.pdf>

<sup>157</sup> Dumfries & Galloway Council, Annual procurement report, 2018-19, [https://www.dumgal.gov.uk/media/20817/Procurement-Annual-Report-for-2018-1/pdf/Procurement Annual Report for Financial Year 18-19 - appendix.pdf?m=637038048383900000](https://www.dumgal.gov.uk/media/20817/Procurement-Annual-Report-for-2018-1/pdf/Procurement%20Annual%20Report%20for%20Financial%20Year%2018-19%20-%20appendix.pdf?m=637038048383900000)

<sup>158</sup> University of Aberdeen, Annual procurement report, 2018-19, <https://www.abdn.ac.uk/staffnet/documents/Annual%20Procurement%20Report%20131119.pdf>

<sup>159</sup> Cassiltoun Housing Association, Annual procurement report, 2018-19, [https://www.cassiltoun.org.uk/upload/download\\_document/391eab00-4f38-11ea-a623-005056a3/](https://www.cassiltoun.org.uk/upload/download_document/391eab00-4f38-11ea-a623-005056a3/)

<sup>160</sup> Fife Council, Annual procurement report, 2018-19, [http://publications.fifedirect.org.uk/c64\\_AnnualProcurementReport2018-2019FINAL1.pdf](http://publications.fifedirect.org.uk/c64_AnnualProcurementReport2018-2019FINAL1.pdf)

## Support for community organisations and clubs

- Edinburgh College's outsourced facilities management contract included a community benefit requirement for the contractor to sponsor the Edinburgh College men's football team and to provide strips<sup>161</sup>
- a contract procured by City of Edinburgh Council resulted in the contractor providing materials for a community garden<sup>162</sup>
- a Dumfries & Galloway Council contract for educational materials included a requirement related to the donation of A4 packs of paper, card and board to local schools<sup>163</sup>
- NHS Greater Glasgow & Clyde's interpreting, communications support and translation services contracts include various community benefit requirements such as the provision of free interpretation support for public art and community projects<sup>164</sup>
- Robert Gordon University's nursery services contract includes a requirement for the contractor to support a local refuge or homeless shelter and create a space where disadvantaged children can play and learn<sup>165</sup>

## Charitable donations/fundraising

- City of Edinburgh Council described examples of funding support for local groups and causes including public realm art funds, school funds, digital skills, family centres, parks, playgroups and youth groups<sup>166</sup>
- community benefit requirements associated with NHS Greater Glasgow & Clyde's interpreting, communications support and translation services contracts also include financial donations for the Scottish Ethnic Minority Sports Association<sup>167</sup>
- the Scottish Social Services Council's framework for catering services include various community benefit requirements related to charitable donations and fundraising including food donations to a local homeless charity and fundraising

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<sup>161</sup> Edinburgh College, Annual procurement report, 2018-19,  
<http://doc.edinburghcollege.ac.uk/procurement/annual%20procurement%20report.pdf>

<sup>162</sup> City of Edinburgh Council, Annual procurement report, 2018-19,  
<https://www.edinburgh.gov.uk/downloads/download/14297/procurement-annual-report-2019>

<sup>163</sup> Dumfries & Galloway Council, Annual procurement report, 2018-19,  
[https://www.dumgal.gov.uk/media/20817/Procurement-Annual-Report-for-2018-1/pdf/Procurement\\_Annual\\_Report\\_for\\_Financial\\_Year\\_18-19\\_-\\_appendix.pdf?m=637038048383900000](https://www.dumgal.gov.uk/media/20817/Procurement-Annual-Report-for-2018-1/pdf/Procurement_Annual_Report_for_Financial_Year_18-19_-_appendix.pdf?m=637038048383900000)

<sup>164</sup> NHS Greater Glasgow & Clyde, Annual procurement report, 2018-19,  
[https://www.nhsggc.org.uk/media/255831/nhsggc\\_procurement\\_annual\\_report\\_2018-2019.pdf](https://www.nhsggc.org.uk/media/255831/nhsggc_procurement_annual_report_2018-2019.pdf)

<sup>165</sup> Robert Gordon University, Annual procurement report, 2018-19,  
<https://www3.rgu.ac.uk/about/schools-and-departments/administration-and-support/procurement>

<sup>166</sup> City of Edinburgh Council, Annual procurement report, 2018-19,  
<https://www.edinburgh.gov.uk/downloads/download/14297/procurement-annual-report-2019>

<sup>167</sup> NHS Greater Glasgow & Clyde, Annual procurement report, 2018-19,  
[https://www.nhsggc.org.uk/media/255831/nhsggc\\_procurement\\_annual\\_report\\_2018-2019.pdf](https://www.nhsggc.org.uk/media/255831/nhsggc_procurement_annual_report_2018-2019.pdf)



activities for Roxburgh House (an NHS Palliative Care Unit) and Children's Hospices Across Scotland (CHAS)<sup>168</sup>

- a public body reported in 2018-19 that a contract for furniture includes provision for the contractor to donate services to social enterprises

## Reducing environmental impact

- Edinburgh College's outsourced facilities management contract includes requirements for the contractor to minimise negative environmental impacts. Actions include reducing the contractor's vehicle fleet at Edinburgh College, where possible using College vehicles instead, and continual monitoring of the Building Management Systems to ensure energy usage is reduced<sup>169</sup>
- community benefit requirements achieved by Scottish Canals include resources and materials for volunteers to use in litter picking and graffiti removal<sup>170</sup>
- community benefits achieved by one public body include the re-use of waste from a road repair contract (public body annual procurement report, 2018-19)
- New College Lanarkshire's transport contracts include a requirement related to the use of fuel-efficient vehicles<sup>171</sup>
- a public body reported that, as part of a floor coverings contract, carpets will be recycled to avoid landfill, re-purposed or donated to charities or the social sector (public body annual procurement report, 2018-19)

In addition, the Scottish Prison Service provided a detailed description of community benefit requirements associated with its £28 million per annum Scottish Court Custody & Prison Escort Services contract, and this is presented below.

"The vehicles used by GEO Amey (the contractor) all meet the latest Euro 6 standards. All (152) vehicles have passed the latest Worldwide Harmonized Light Vehicle Test Procedure, (WLTP), Real World Testing conditions, which prove that whilst travelling loaded the emissions are as clean as possible and when idling the emissions are minimal. The new GEO Amey fleet vehicles are now the most environmentally friendly vehicles in use (having replaced a fleet used under the last contract which was generally Euro 4 or Euro 5 compliant).

Geo Amey also uses routing/scheduling tools to optimise efficient journey planning for the range of daily movements on individuals across the Police Scotland, SPS and Scottish Court Service estate. In-cab fleet management tools provide the contractor with oversight of driver behaviour, performance and will allow re-routing based on live-information of the prevailing road conditions. The contract also reflects obligations upon the Geo Amey to

<sup>168</sup> Scottish Social Services Council, Annual procurement report, 2018-19, <https://www.sssc.uk.com/knowledgebase/article/KA-02798/en-us>

<sup>169</sup> Edinburgh College, Annual procurement report, 2018-19, <http://doc.edinburghcollege.ac.uk/procurement/annual%20procurement%20report.pdf>

<sup>170</sup> Scottish Canals, Annual procurement report, 2018-19, [https://www.scottishcanals.co.uk/wp-content/uploads/sites/2/2019/07/Scottish-Canals-2018\\_19-Annual-Procurement-Report.pdf](https://www.scottishcanals.co.uk/wp-content/uploads/sites/2/2019/07/Scottish-Canals-2018_19-Annual-Procurement-Report.pdf)

<sup>171</sup> New College Lanarkshire, Annual procurement report, 2018-19, <https://www.nclanarkshire.ac.uk/media/4840/annual-procurement-report-ncl-18-19.pdf>

monitor carbon management performance under the contract and to report this to the SPS. Separately, the SPS continues to make use of video conference links between some prisons and courts to minimise the requirement for some individuals to travel at all”<sup>172</sup>

## **Business support for SMEs, social enterprises and/or the third sector**

- a contractor with City of Edinburgh Council provides business mentoring support for third sector and micro businesses<sup>173</sup>
- a construction contract procured by Dumfries & Galloway Council includes various development activities for SMEs such as business health check clinics and workshops on health and safety<sup>174</sup>
- Glasgow City Council achieved 95 hours of business mentoring for social enterprises, third sector organisations and supported businesses through its procurement activity in 2018-19<sup>175</sup>
- community benefit requirements achieved by the University of Strathclyde include support for third sector organisations and mentoring for SMEs<sup>176</sup>

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<sup>172</sup> Scottish Prison Service, Annual procurement report, 2018-19, <https://www.sps.gov.uk/Corporate/Publications/Publication-6549.aspx>

<sup>173</sup> City of Edinburgh Council, Annual procurement report, 2018-19, <https://www.edinburgh.gov.uk/downloads/download/14297/procurement-annual-report-2019>

<sup>174</sup> Dumfries & Galloway, Annual procurement report, 2018-19, [https://www.dumgal.gov.uk/media/20817/Procurement-Annual-Report-for-2018-1/pdf/Procurement Annual Report for Financial Year 18-19 - appendix.pdf?m=637038048383900000](https://www.dumgal.gov.uk/media/20817/Procurement-Annual-Report-for-2018-1/pdf/Procurement%20Annual%20Report%20for%20Financial%20Year%2018-19%20-%20appendix.pdf?m=637038048383900000)

<sup>175</sup> Glasgow City Council, Annual procurement report, 2018-19, <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=42112&p=0>

<sup>176</sup> University of Strathclyde, Annual procurement report, 2018-19, [https://www.strath.ac.uk/media/ps/purchasing/UoS\\_Procurement\\_Annual\\_Report\\_Y2018-19.pdf](https://www.strath.ac.uk/media/ps/purchasing/UoS_Procurement_Annual_Report_Y2018-19.pdf)

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