

Scottish Government

SME and Third Sector Procurement Action Plan

2024-2026



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Ministerial Foreword

Small and medium-sized enterprises (SMEs) and third sector organisations are critical to the economic, social and environmental health of Scotland. These organisations are an integral part of the business community in Scotland and the Scottish Government is committed to leveraging procurement opportunities to help support SMEs and third sector organisations within the procurement process.

The Scottish Government has made ambitious strides to improve SME and third sector participation in the procurement process and in strengthening our supply chains. We are clear that we will always look at what more we can do to maximise the impact of public procurement in Scotland. In October 2023 the Scottish Government published The New Deal for Business Implementation Plan where we committed to publishing an SME and Third Sector Procurement Action Plan.

I am therefore delighted to present the Scottish Government's SME and Third Sector Procurement Action Plan which supports our bold and ambitious work to drive public procurement forward in Scotland.

This action plan, alongside other initiatives in The New Deal for Business Implementation Plan, highlights our long standing commitment of engaging with, and listening to, industry feedback in order to reduce barriers, promote innovation and enable participation in public procurement. This action plan presents the steps we will take to increase and improve opportunities for SMEs and third sector organisations within the procurement process.

Through this plan we will work collaboratively with industry and in particular the Procurement Supply Group to support the implementation of the Public Procurement Strategy for Scotland.

I look forward to further engagement with businesses as well as seeing the positive outcomes which will result from this action plan.



Mr Tom Arthur
Minister for Community Wealth
& Public Finance



Introduction

The publication of this SME and Third Sector Procurement Action Plan strengthens our commitment to delivering real impact and ensuring we continue to collaborate across industry and the wider public sector in Scotland.

The Scottish Government's SME and Third Sector Procurement Action Plan sets out our actions for the next two years (2024-2026) to collaborate, engage and reduce the barriers for SMEs and third sector organisations when engaging with public procurement processes.

Our work in this area contributes to achieving all of the National Outcomes, in particular:

- **We have thriving and innovative businesses, with quality jobs and fair work for everyone.**

We are committed to making it as easy as possible for SMEs and third sector organisations to bid for, and win, public contracts as well as participate in local supply chains and promote innovation.

Our Sustainable Procurement Duty requires public bodies, among other things, to consider and act on opportunities to facilitate the involvement of SMEs and third sector organisations in the procurement process.

Within public procurement we have outcomes supported by our policies, tools and guidance which underpin and enable our work.

We aim to increase SME and third sector organisations' awareness of, and ability to engage with, public sector procurement.



Nick Ford
Director Procurement
& Property, Scottish Government

We are reviewing our current processes and practices to consider how contracts are developed in order to reduce barriers and enable SME and third sector organisations to participate in public sector procurement.

The New Deal for Business

The New Deal for Business recommended that public bodies should promote opportunities for purposeful businesses to advance sustainability, fair work and community benefits. The procurement action included in The New Deal for Business Implementation Plan (October 2023) was:

“Publication of an SME and Third Sector Action Plan as part of the wider Scottish Government work through Public Procurement policy and approaches to better support suppliers, especially SMEs and third sector organisations, who want to bid for public sector contracts.”

Public Procurement Strategy for Scotland

The Public Procurement Strategy for Scotland's vision is 'putting public procurement at the heart of a sustainable economy to maximise value for the people of Scotland'. The SME and Third Sector Procurement Action Plan will support the implementation of this strategy as part of its 'Good for Businesses and their Employees' objective. The plan will aim to consider how procurements are conducted and contracts are developed to reduce barriers and enable participation for SMEs and third sector organisations.

What is an SME?

Our definition of SME encompasses micro (fewer than 10 employees), small (fewer than 50 employees) and medium-sized (not more than 250 employees) businesses.

What is the Third Sector?

Organisations (other than bodies established under an enactment) that exist wholly or mainly to provide benefits for society or the environment. This includes a charity, with the exception of public bodies, a voluntary organisation or a social enterprise.

This action plan has been developed with procurement and policy experts as well as supplier representative bodies and demonstrates the work which can be achieved through industry and government collaboration. Throughout the implementation of this plan I am excited to continue this partnership as well as see the real benefits which the actions within this plan can bring to SME and third sector engagement in the procurement process.

Why are SMEs and Third Sector Organisations so important?

These organisations are critical to the economic, social and environmental health of Scotland, and we recognise the massive role they play in unlocking opportunities for all, through fostering apprenticeships, jobs and economic growth.

Third sector organisations play an important role in supporting local communities and also in stimulating local economic growth. In 2021 for example, in Scotland social enterprises employed 89,970 full time equivalent employees.

As at March 2022, there were 358,575 SMEs operating in Scotland. SMEs provided an estimated 1.2 million jobs, which was 55.9% of private sector employment. SMEs also accounted for 99.4% of all private sector businesses and 40.2% of private sector turnover.

Scottish Public Sector Procurement Spend with SMEs and Third Sector Organisations

- Over the course of the financial year (FY) 2021–2022, the Scottish public sector continued to do much of its business with SMEs from Scotland, elsewhere in the UK, and further afield. During this period, the total Scottish public body procurement spend with SMEs, regardless of location, was £6.4 billion. This amounts to 44.2% of all spend (where business size is known).
- More specifically, when we consider the procurement spend that took place with suppliers based in Scotland, we learn that SMEs accounted for over half (54.9%, or £4.2 billion) of this spend – and this £4.2 billion of spend can be accounted for by some 16,828 SME suppliers. The largest share (£2.6 billion) of SME spend was with medium-sized businesses, followed by small businesses (£1.2 billion) and micro businesses (£449.2 million).
- It is estimated that, during the 2021 to 2022 FY, the Scottish public sector spent around £1.1 billion with third sector organisations in Scotland. This equates to around 12.5% of all Scottish public body procurement spend in Scotland and is an increase from the £944 million spent in the previous reporting period.

Our Actions 2024–2026

The following actions outline the activity we will develop and undertake over the next two years to build on and further the support to increase SME and third sector engagement in our supply chains. We will promote the SME and Third Sector Action Plan, and will track its progress and impact to ensure the actions outlined below are progressed timeously.



Oversight and Communications

No.	Planned actions	When	Expected Outcomes
1.	<p>We will provide a variety of opportunities for engagement with SMEs and third sector organisations by:</p> <ul style="list-style-type: none"> • Committing to holding annual roundtable events with SME and third sector Stakeholders. • Reviewing the Procurement Supply Group to ensure sectors are represented proportionally. 	2024 then updated annually	<ul style="list-style-type: none"> • To test and inform our procurement policies and approaches to ensure they are both impactful and business friendly. • Promote public procurement to SMEs and third sector organisations that have previously not engaged with public sector procurement. • To hear from SMEs and third sector organisations on their experiences with public sector procurement in order to inform continuous improvement.
2.	<p>We will improve the accessibility of the guidance available by:</p> <ul style="list-style-type: none"> • Reviewing the accessibility and practicality of existing guidance and tools. • Promoting the one-stop-shop Guidance on Public Procurement for SMEs and Third Sector Suppliers which is an essential resource for organisations engaging with public sector procurement. • Updating and publicising the Public Contracts Scotland Supplier Guidance. • Reviewing and enhancing, where possible, the consortium bidding guidance. • Promoting the Scotland Innovates service, PCS developments and innovation guidance as a mechanism to enable engagement with innovative businesses and entrepreneurs. 	Ongoing	<ul style="list-style-type: none"> • Equip SMEs and third sector organisations with hints, tips and tools to better engage with public procurement in Scotland by ensuring that support and guidance is more user-friendly and easy to find. • Ensure suppliers become more visible to buyers on the PCS System. • Increase awareness around consortium bidding options. • Increase awareness around Scotland Innovates and potential supplier collaboration opportunities.

Oversight and Communications

No.	Planned actions	When	Expected Outcomes
3.	<p>We will support organisations who provide practical public procurement support for SMEs and the third sector through a variety of channels by:</p> <ul style="list-style-type: none"> • Supporting and part funding the Supplier Development Programme as well as actively supporting their Meet the Buyer events. • Supporting the Just Enterprise Business Support Programme, a core element of which is supporting third sector organisations with procurement and tender writing. • Promoting other sources of support for businesses via the Scottish Enterprise Business Support Portal. 	2024–2025 (reviewed annually)	<ul style="list-style-type: none"> • More opportunity for SMEs and third sector organisations to engage with procurement officials allowing two-way dialogue. • Opportunity for SMEs and third sector organisations to hear more regular updates on any policy or guidance changes and/or new initiatives.

Policy and Practice

No.	Planned actions	When	Expected Outcomes
4.	<p>We will review the processes and policies of lower value procurements for accessibility for SMEs and explore opportunities to implement improvements.</p>	2024–2025	<ul style="list-style-type: none"> • Increase accessibility of lower value contract opportunities.
5.	<p>We will explore the opportunity to increase the transparency of contract pipelines and promote giving more time for organisations to prepare and respond to contracting opportunities. Based on industry feedback this will include exploring opportunities to:</p> <ul style="list-style-type: none"> • Consolidate existing pipelines • Engage suppliers early in potential opportunities. • Encourage more organisations to publish their contract pipelines. 	2025–2026	<p>To allow:</p> <ul style="list-style-type: none"> • More time to investigate and formulate responses to potential opportunities. • More time to consider consortium bidding options. • More general visibility of sub-contracting opportunities.

Policy and Practice

No.	Planned actions	When	Expected Outcomes
6.	<p>We will continue to champion prompt payment of suppliers and their supply chains and to promote and enable our policy on prompt payment through the supply chain developed in collaboration with industry.</p>	Ongoing	<ul style="list-style-type: none"> • Encouraging purchasing bodies to pay promptly and include prompt payment of their suppliers and supply chains in their terms and conditions. • Increase awareness of our prompt payment policy and the existing support and legal levers available to support prompt payment throughout supply chains.
7.	<p>We will create targeted commercial capability programmes to drive greater consistency in local practice by:</p> <ul style="list-style-type: none"> • Working with our contracted providers of procurement training to update training courses and materials for public sector buyers to highlight opportunities to better engage with SMEs and third sector organisations. • Reviewing the results of the Procurement & Commercial Improvement Programme (PCIP) to identify opportunities to help drive local understanding, capability and consistency of approach. 	2024–2025	<ul style="list-style-type: none"> • Increase consistency of procurement practice to make it easier for SMEs and third sector organisations to bid for contracts right across the public sector in Scotland.

Systems and Tools

No.	Planned actions	When	Expected Outcomes
8.	<p>We will continue to develop the quality of procurement data and management information available to better understand where procurement spend is reaching SMEs and third sector organisations by:</p> <ul style="list-style-type: none"> • Issuing Supplier Surveys to understand the impact of our policies and aspirations on SME and third sector organisations exploring opportunities for improvement. • Enhancing the third sector data from supplier finder on PCS to facilitate search functionality. • Exploring opportunities to streamline procurement systems, and the SME and third sector experience, through the eProcurement Future Systems Programme. 	Ongoing	<ul style="list-style-type: none"> • Ensure support and guidance continues to be useful and relevant. • Identify areas where more support, guidance, tools or engagement is required. • Ensure procurement policy and practice is proportionate, relevant and impactful, delivering for Scotland. • Make it easier for buyers to find and engage with SMEs and third sector organisations on PCS. • Ensure our procurement systems are user-friendly.



What we currently do to support SMEs and Third Sector Organisations

We have created a legislative environment, via the Sustainable Procurement Duty, where regulated procurements must, among other things, consider how they can facilitate the involvement of SMEs and third sector organisations.

We use our market knowledge, systems and processes to improve access and, where appropriate, split large requirements into specialist or geographical lots to open the opportunities up for SMEs and third sector organisations. In addition, and where appropriate, apply lot-limiting or multi-supplier strategies to ensure a fairer share of business.

Our national advertising portal Public Contracts Scotland (PCS) aims to make it as easy as possible for SMEs and the third sector to bid for public contracts through notice alerts and enabling main contractors to advertise sub-contracting opportunities, giving suppliers the chance to bid for contracts further down the supply chain. However, we recognise that PCS does need updated and scoping work is underway to gather evidence and information to inform future options on streamlining the buying tools currently used within the eCommerce and Best Practice Shared Service.

We actively engage with our supply base and the SME and third sector community through a series of roundtables to discuss the most important issues, and engagement with the Procurement Supply Group (PSG).

We part fund and support the Supplier Development Programme (SDP), an independent business initiative which delivers free training, online resources and guidance on how to prepare, submit and win public procurement bids. This includes training on tenders and bidding, using the national eCommerce solutions, and understanding frameworks, community benefits and sustainable procurement.

Together with Industry in 2019 we created the **Construction Leadership Forum** to oversee the development of a Construction Accord between the public sector and the construction industry. The Accord is seeking to improve outcomes for those in the construction sector including a specific working group to look at supply chains.

We published the one-stop-shop **Guidance on Public Procurement for SMEs and Third Sector Suppliers** which summarises tools, sources of support, hints and tips and case studies to help suppliers engage with public procurement in Scotland.

We provide online support and guidance to all businesses on the process, from start to finish, of bidding for public sector contracts through our **Supplier Journey**. The Supplier Journey sits alongside our **Procurement Journey** guidance which was designed for public sector buyers who procure goods, services and care and support services.

We support and promote innovative ideas, goods and services within public procurement. Through a combination of “push” (supplier-led) and “pull” (open challenges) innovation we are extracting and nurturing the best innovative solutions that the market has to offer.

The Scottish Government’s **CivTech Scotland** programme helps to drive forward innovation by setting challenges which the market is asked to solve, sometimes referred to as “push innovation”. In solving these challenges we are driving innovation in the public sector as well as supporting the creation of sustainable, high growth businesses.

In addition, the Scottish Government, in collaboration with NHS National Services Scotland (NSS), lead and promote our national supplier-led innovation service, **Scotland Innovates**. The service allows businesses and members of the public to submit innovative solutions to the public sector for consideration. To date, over 90% of submissions to this supplier-led service have come from SMEs.

It is also important to note that we provide significant support and guidance to the **Supported Business Sector**. We recently created a dynamic purchasing system to continue to provide Scottish public sector and third sector organisations with a route to market for a range of goods and services provided by supported businesses. This is to ensure that supported business suppliers have equal opportunity to access public sector contracts by using minimal selection criteria to join.

We support the **Just Enterprise Business Support Programme**, a core element of which is supporting third sector organisations with procurement and tender writing. Just Enterprise is part of a range of actions arising from the Social Enterprise Strategy, its three priorities are: stimulating the sector, developing stronger organisations and realising market opportunities.

Previously, we have commissioned a **supplier research survey** which highlighted key areas to focus on to better support suppliers, especially SMEs and third sector organisations who want to bid for public sector contracts.

We commissioned **research** with third sector organisations and new private businesses to explore their experiences of public procurement in Scotland. The findings are being used to ensure that future delivery of public procurement is as inclusive as possible and enables third sector organisations to better access and compete for public contracts.

We remain committed to prompt payment of invoices, aiming for a 10-day target for paying suppliers, with a commitment to paying suppliers within 30 days. We have this as a condition of contract, and require this commitment throughout the contract supply chain.

We published a Scottish Procurement Policy Note on how Public Bodies are to embed prompt payment performance in the supply chain and throughout procurement processes. The Scottish Procurement Policy Note includes a clause to be added into terms and conditions which will ensure sub-contractor invoices are paid within 30 days.

We promote the use of Project Bank Accounts, where appropriate, through Construction Policy Notes.

Resources for any organisation engaging with public sector contract opportunities

Research:

[Factors that enable third sector and new business engagement with Scottish public procurement - Public procurement - views and experiences: research - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2022/02/220202-scottish-public-procurement-views-and-experiences-research/)

[Public Procurement Survey of Suppliers: analysis 2020 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2020/07/202007-scottish-public-procurement-supplier-survey-analysis-2020/)

[Sustainable procurement duty - impact and value analysis: main report - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2022/02/220202-sustainable-procurement-duty-impact-and-value-analysis-main-report/)

Recent policy notes of interest to suppliers:

[Public procurement - supporting innovation through procurement: SPPN 3/2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2023/03/230303-public-procurement-supporting-innovation-through-procurement-sppn-3-2023/)

[Public procurement - taking account of climate and circular economy considerations: SPPN 3/2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2022/03/220303-public-procurement-taking-account-of-climate-and-circular-economy-considerations-sppn-3-2022/)

[Public procurement - prompt payment in the supply chain: SPPN 2/2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2022/02/220202-public-procurement-prompt-payment-in-the-supply-chain-sppn-2-2022/)

[Preparing to transition towards a National Care Service for Scotland: SPPN 7/2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2021/07/210707-preparing-to-transition-towards-a-national-care-service-for-scotland-sppn-7-2021/)

[Fair work and procurement - Public sector procurement - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2022/02/220202-fair-work-and-procurement-public-sector-procurement/)

[Measuring social impact in public procurement: SPPN 10/2020 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2020/10/201020-measuring-social-impact-in-public-procurement-sppn-10-2020/)

Publications:

[Public Procurement and Property Scottish Government Annual Report on Procurement Activity 2021 to 2022 published - Public Procurement and Property \(blogs.gov.scot\)](#)

[Public procurement strategy: 2023 to 2028 - gov.scot \(www.gov.scot\)](#)

[Programme for Government - gov.scot \(www.gov.scot\)](#)

[Scotland's National Strategy for Economic Transformation - gov.scot \(www.gov.scot\)](#)

[Resource Spending Review 2022 - gov.scot \(www.gov.scot\)](#)

[Scotland's Social Enterprise Strategy 2016-2026 - gov.scot \(www.gov.scot\)](#)

Case Studies:

[Case Study - Hey Girls](#)

[Rural SME Case Study - Lewis Builders](#)

[Case Study – Levenseat](#)

[Public Procurement and Property Marketing Services Framework – Micro & Minority Led Businesses](#)

Tools & Resources:

One Stop Shop: Public Procurement Guidance for SMEs & Third Sector Suppliers available at: [SME & Third Sector Guidance](#)

The Supplier Journey, available at: [Supplier Journey](#)

The Procurement Journey, available at: [Procurement Journey](#)

Sustainable Procurement Tools, available at: [Sustainable Procurement \(sustainableprocurementtools.scot\)](#)

Single Point of Enquiry: [Single Point of Enquiry \(SPoE\) service for public sector suppliers - gov.scot \(www.gov.scot\)](#)

Scotland Innovates, available at:

[Home - Scotland Innovates \(innovator.scot\)](#)

Civtech - [Civtech](#)

Supported Businesses - [Procurement: requirements reserved for supported businesses dynamic purchasing system - gov.scot \(www.gov.scot\)](#)



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