

# **THE PUBLIC PROCUREMENT REFORM PROGRAMME 2006–2016**

## **ACHIEVEMENTS AND IMPACT**



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## MINISTERIAL FOREWORD



Our Programme for Government sets out a clear plan – to build a more prosperous nation with a dynamic, sustainable and inclusive economy, with public services that put people’s needs first, and where every individual has true equality of opportunity.

Public procurement plays a key part in this plan. In Scotland we use our public procurement to deliver public services for a prosperous, fairer and more sustainable Scotland. Maximising efficiency and collaboration; improving access; embedding a sustainable approach supporting jobs and growth; and delivering benefits and savings all contribute to that dynamic, sustainable and inclusive economy.

This report provides a summary of the progress made since the publication of John McClelland’s report 10 years ago. Procurement in Scotland has truly been transformed. Scotland is now identified as an exemplar and leader in procurement practices internationally, and credit should be shared across the public, private and third sectors, who have worked in the truest spirit of collaboration to deliver change.

The legislative landscape that was introduced between 2014 and 2016 provides a framework to build upon our gains, and help drive the policies that make Scotland a better place to live and work, with procurement a significant partner and enabler.

A handwritten signature in black ink, appearing to read 'D Mackay', written in a cursive style.

**Derek Mackay MSP**

Cabinet Secretary for Finance and the Constitution

## JOHN MCCLELLAND CBE



It's over 10 years since I was asked by Scottish Ministers to conduct a detailed review of public sector procurement in Scotland.

In that review, I identified that there were both financial and service delivery benefits that could be brought about by conducting procurement more effectively. Most notably the opportunity to establish collaborative contracts across commonly used goods and services; the establishment of consistent best practice that encouraged Scotland's SMEs to engage in public contracts; and a significant improvement in governance were all required in order to deliver real benefit from procurement.

I have worked with Scottish Ministers since then in driving forward the reform programme. This has resulted in the delivery of significant savings from collaborative contracts; improved access for SMEs including the portal, Public Contracts Scotland, and the provision of a legislative framework that assures the future delivery of benefits.

Public procurement today is seen as a key economic lever through its four priorities:

- Making sustainable procurement business as usual;
- Improving access to SMEs the third sector and supported businesses;
- Promoting efficiency and collaboration; and
- Delivering savings and benefits.

This transformation has put Scotland very much at the forefront of international best practice. With the introduction of recent legislation the value we have seen delivered through a significant programme of work can continue to be delivered transparently. Contracting authorities will publish annual strategies and performance reports to demonstrate how procurement is used to improve economic, social, and environmental wellbeing.

A handwritten signature in black ink, appearing to read 'John McClelland'.

**John McClelland CBE**

## EXECUTIVE SUMMARY

Procurement today plays a key part in delivering Scotland's economic strategy, focussed on sustainable economic growth and delivering better outcomes for Scotland. As well as influencing changes in culture, approach and practice, the programme has captured significant savings since 2006. The truly collaborative partnership approach between public sector, business and the third sector has resulted in a transformed public sector landscape, with procurement today a lever for economic change.

This report reflects on the achievements, impacts and overall progress of the public procurement reform programme. Running for 10 years, Scottish procurement now sits as an exemplar in its field, an international leader in procurement practices.

The Scottish Model of Procurement realises the key components of the Scottish Government's drive towards a more dynamic, sustainable and inclusive economy, where high quality public services play a vital role in making Scotland stronger and fairer, and increasing economic growth.

The full impact and benefits of the changes in legislation are yet to be fully realised, but will support improved economic, social and environmental wellbeing, reduce inequality, promote innovation, and increase access to opportunities for small businesses, the voluntary sector and disadvantaged individuals across the country.

The changes will maximise the impact of the circa £11 billion annual procurement spend and ensure that public procurement in Scotland delivers environmentally sustainable, socially responsible and innovative goods, services and works.

In the last 10 years public procurement has:

- Collaborated annually on around £2.5bn of spend, including 6% of savings.
- Increased access to public sector contracts year on year, with Public Contracts Scotland now advertising over 14,700 contracts in 2015.
- Provided supported businesses with an easier route to public sector contracts that have generated more than £10.5m worth of business since 2012, with the supported business framework tracking spend at £1.9m.
- Increased the use of community benefit clauses, with independent research identifying that 24 public contracts have helped support people from priority groups with access to:
  - More than 1,000 people being employed, and it is thought community benefits clauses raised this number by 38%;
  - 200 apprenticeships created with community benefits clauses having thought to have risen this number by 78%;
  - Over 650 people gaining work experience, with 72% estimated to be additional due to community benefits clauses; and
  - Over 6,700 people accessing training, 31% would not have been provided without community benefit clauses.

## PROCUREMENT REFORM TIMELINE

2005	<ul style="list-style-type: none"> <li>• NHS National Procurement established</li> </ul>
2006	<ul style="list-style-type: none"> <li>• Review of Public Procurement in Scotland: Report and Recommendations</li> <li>• Public Procurement Reform Board set up</li> <li>• Suppliers Charter Published</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Advanced Procurement for Universities and Colleges (APUC) established</li> <li>• CGCope established</li> <li>• Best Practice toolkit Published</li> <li>• SPoE Launched</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Scotland Excel established</li> <li>• Procurement Scotland launched</li> <li>• Community Benefits in Public Procurement published</li> <li>• Public Contracts Scotland launched</li> <li>• Policy handbook launched</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Scottish Sustainable Action Plan launched</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Phase 2: Transforming Procurement: Accelerating Delivery commences</li> <li>• Scottish Model of Procurement introduced</li> </ul>
2011	<ul style="list-style-type: none"> <li>• eCommerce Service redesigned</li> <li>• Collaborative Content Management System introduced</li> <li>• PCS-Tender contracted</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Supported Business Procurement Framework Established</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Procurement Reform (Scotland) Bill introduced to Scottish Parliament</li> <li>• Stage 1 of parliamentary scrutiny commences</li> <li>• Public Procurement Reform Board (PPRB) and Public Procurement Advisory Group (PPAG) merge</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Procurement Reform (Scotland) Act 2014 receives Royal Assent</li> <li>• Phase 3: Working in Partnership commences</li> </ul>
2015	<ul style="list-style-type: none"> <li>• Public Procurement Reform Board Replaced by the Ministerial Strategic Group – Procurement</li> <li>• Statutory Guidance published on the Selection of Tenderers and Award of Contracts</li> <li>• Procurement Supplier Group launched</li> <li>• Refreshed Procurement Journey introduced</li> </ul>
2016	<ul style="list-style-type: none"> <li>• Reform Programme formally ended</li> <li>• Launch of The Public Procurement Reform Programme 2006-2016 Achievements and Impact Report</li> <li>• EU Directives come into effect in Scotland</li> <li>• Statutory Guidance published under the Procurement Reform (Scotland) Act 2014</li> </ul>

## A BRIEF HISTORY

This report reflects on the achievements, impacts and overall progress of the Public Procurement Reform Programme for its whole lifecycle from 2006 to 2016. It follows Audit Scotland’s [Improving Public Purchasing](#) 2009 report that took stock of the first period of procurement reform, and the [Transforming Procurement, Accelerating Delivery](#) report, that reviewed procurement reform progress to 2014.

### The McClelland Report

In 2006, John McClelland CBE published [Review of Public Procurement in Scotland: Report and Recommendations](#), in which a number of critical success factors were identified to get the best value from public procurement in Scotland.

### First phase of the Public Procurement Reform Programme

In response to the report, the Public Procurement Reform Programme was established, with a Public Procurement Reform Board (PPRB), consisting of representatives from across the public sector.

Four Procurement Centres of Expertise (CoEs) were established, charged with promoting collaboration and developing capability. Spend on goods and services was categorised at a national, sectoral and local level and programmes of collaboration were developed.

There was investment in data collection and digital methods with the Procurement Information Hub, the e-Procurement System (now e-Commerce) and in 2008 the Public Contracts Scotland portal advertising procurement opportunities. By 2009 substantial savings were being delivered locally and nationally through a programme of collaboration.

Audit Scotland’s [Improving Public Sector Purchasing](#) report recognised the progress that had been made over the first three years of the reform programme, estimating it had directly delivered £327 million worth of savings by the end of 2007/08. Scottish Government annual efficiency figures show that, by 2009-10 the level of savings and other cashable benefits was almost £800 million.

### Transforming Procurement, Accelerating Delivery

In January 2010, the Public Procurement Reform Board endorsed the second phase of the Public Procurement Reform Programme – [Transforming Procurement, Accelerating Delivery](#). This placed emphasis on quickening the pace of change, delivering benefits, and embedding initiatives into “business as usual”.

The [Scottish Model of Procurement](#) was introduced, to consolidate the early gains of the first phase of reform and introduce a fundamental challenge to change the culture of how we buy. A “government led, public sector owned” ethos was adopted. As well as influencing significant changes in culture, approach and practice, it was estimated that the programme had captured over £1.5 billion in savings and other benefits between 2006 and 2014.



## Legislation framing a new landscape

The programme evolved into a truly collaborative partnership between public sector, business and the third sector to transform the public sector landscape in Scotland.

The [Procurement Reform \(Scotland\) Act 2014](#) built on the work achieved in the reform of public procurement. Its Sustainable Procurement Duty requires public bodies to consider how, through their procurement activities, they can improve economic, social and environmental wellbeing; reduce inequality; promote innovation; and involve SMEs, the third sector and supported businesses.

In February 2014, the Council of the European Union adopted three new EU directives on public procurement, which will make the award of contracts more flexible, make it easier for SMEs to bid for contracts and promote the achievement of wider social and environmental benefits. These new pieces of legislation were in place by 2016, establishing a national framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice.

The Act will maximise the impact of the circa £11 billion annual procurement spend and ensure that public procurement in Scotland delivers environmentally sustainable, socially responsible and innovative goods, services and works.

## **Julie Welsh, Director, Scotland Excel**

“We are now in a new era for public procurement. The reform programme kick-started by McClelland’s report has transformed the very foundations of procurement across the public sector. We have moved far beyond the view of procurement as a ‘back office’ purchasing function, to one where teams of dedicated procurement professionals work alongside their peers to support the delivery of better and more efficient public services.

“It is this strategic and collaborative approach that has underpinned everything that has been achieved by the programme. We have found the savings; we have found the efficiencies; and now we are expanding our horizons to see what more we can do. Procurement delivers so much more than savings in the local government sector. With our minds firmly rooted in serving our communities, the benefits supported by procurement in our sector have made a real difference to the lives of people using local services across Scotland.

“We have made real headway in using procurement as a driver of social policy and value. There is still room to achieve more and to help drive policies that make Scotland a better place to live and work.”

## KEY IMPACTS AND ACHIEVEMENTS

### Savings

- Public Procurement Reform has generated total savings across the programme of almost £2bn.
- Collaborative procurement continues to deliver more than £150m in savings per year, over 6% of collaborative spend per year.

### Wider Benefits

- A legislative framework for sustainable procurement including a duty on public bodies to consider how they can improve economic, social and environmental wellbeing through procurement activities.
- Increased transparency of contracting opportunities through Public Contracts Scotland from 3,516 adverts in 2009 to 14,785 in 2015.
- Provides Scottish public bodies with an easier route to contracts with supported businesses for goods and services.
- Increased support with simplified and improved access to contracts – through a comprehensive suite of tools, policy support and guidance.
- Since 2008, Community Benefit clauses have increasingly been used in public contracts across the public sector to deliver thousands of targeted training and recruitment opportunities across Scotland.
- Independent research looking at 24 public sector contracts identified community benefits clauses contributed to more than 1,000 people from priority groups employed; 200 apprenticeships; more than 650 accessing work experience; and 6,700 accessing training opportunities.
- Visibility for Scottish SMEs to supply chain and sub-contract opportunities through the Public Contracts Scotland portal.
- Increased support for suppliers through the Supplier Development Programme, providing local businesses with access and advice to winning public sector contracts.

### Sector Specific

- Cash savings from Scotland Excel contracts have returned circa £5 for every £1 invested by local authorities in the organisation.
- Community benefits in Scotland Excel contracts have supported 158 apprenticeships, 158 jobs and 54,794 hours of work experience
- 332 national contracts implemented and managed by NHS Scotland Procurement
- Over 47 million domestic and medical products sourced, procured, managed, transacted and delivered for NHSScotland each year.
- Scottish Procurement lets and manages a suite of around 50 collaborative agreements across ICT, Utilities and Corporate and Professional Services. Electricity and Gas are used by over 99% of the public sector
- Since 2008, value for money benefits of £616m have been achieved. Significant sustainability benefits also achieved, spanning social, environmental and economic aspects.
- Across the HE/FE sectors, all institutions now have professional procurement resources in place either locally or through an APUC shared service arrangement, before the Reform Programme, less than half did.
- Collaborative spend has grown from under 10% of recurrent spend to circa 30% overall across the HE/FE sectors.

## REFLECTIONS FROM THE PROCUREMENT SUPPLY GROUP

The Scottish Government has long recognised that SMEs, third sector – including social enterprises and supported businesses are critical to the economic wellbeing of the country. The Public Procurement Reform Programme in particular has done much to support Scottish businesses, particularly SMEs, in competing for public contracts, improving access and simplifying processes.

The inclusive approach taken to procurement reform, supporting engagement with supply-side representatives throughout the programme, has created a number of benefits, such as an increased procurement profile with small businesses, third sector organisations and public bodies beginning to think in more detail about procurement policy.

The Scottish Government's willingness to engage the private and third sectors has been pivotal to facilitating change, improved interaction and a more holistic approach to finding solutions. Collaboration between public sector and business has supported innovative, smarter solutions to change some of the practical problems of procurement for suppliers.

The development and delivery of a range of tools, including the Procurement Journey, Public Contracts Scotland and the Procurement Hub, have had a significantly positive impact on public sector engagement with Scotland's business community. Previously, supply side groups have been instrumental in developing the Supplier Journey, sPQQ, and the Single Point of Enquiry (SpoE), and the Supplier Development Programme has provided support to over many SMEs and third sector organisations, helping many tender for the first time and win business.

Representative organisations from the supply-side have contributed directly to the design of systems, policy development and processes, and have had access to senior procurement officials and Ministers alike. Today the Procurement Supply Group (PSG) participates in on-going dialogue about public procurement policy and practices as they affect suppliers. Commenting on the procurement landscape in Scotland, the Procurement Supply Group said:

“We share good practice, provide a supplier perspective to procurement issues and discuss areas of concern as they arise, seeking to find positive solutions. This has been particularly helpful as we move into a period framed by legislative change.

“We have identified and contributed to the development of a number of priorities, such as how economic impact, community benefits and other sustainable procurement issues are considered during the development of procurement strategies – a requirement that is now set in legislation and supported by statutory guidance.

“A wide range of suppliers and supplier representative bodies were actively involved in the development and delivery of the Procurement Reform (Scotland) Act 2014 and the transposition of the EU Directives – supporting legislative change to improve access for SMEs and third sector organisations, standardising and streamlining procedures for both businesses and public bodies, and placing sustainable and socially responsible purchasing at the heart of the process.

“We welcome the introduction of a sustainable procurement duty requiring contracting authorities to consider how to improve economic, social and environmental well-being, and to facilitate involvement of SMEs, third sector and supported businesses. Likewise, we expect EU Procurement Directives will benefit suppliers by simplifying and reducing the length of the procurement process and supporting access to public contracts.

“There is still much to do. On reflection, the reform programme would have benefitted from a faster pace of change from some public bodies. Perhaps more could have been done to engage and encourage the small business community throughout the programme, to promote culture change around innovative practices and embed good practice across the board – and we have started to try to address these issues.

“The group has set itself a remit aligned to the strategic objectives of the Scottish Model of Procurement, identifying Key Performance Indicators (KPIs) to measure progress. We are currently looking at a refresh of systems and tools developed during the programme, including the Supplier Journey and the Supplier Charter, to ensure that they remain relevant and meaningful to suppliers in the new legislative framework, and we will continue to support and promote public procurement in Scotland from a supply-side perspective.

“We will continue to support the implementation of the Procurement Reform (Scotland) Act 2014 to successfully affect cultural change, to further develop understanding between suppliers and buyers, and seek to improve practice and capture the wider benefits of procurement and promote innovation.

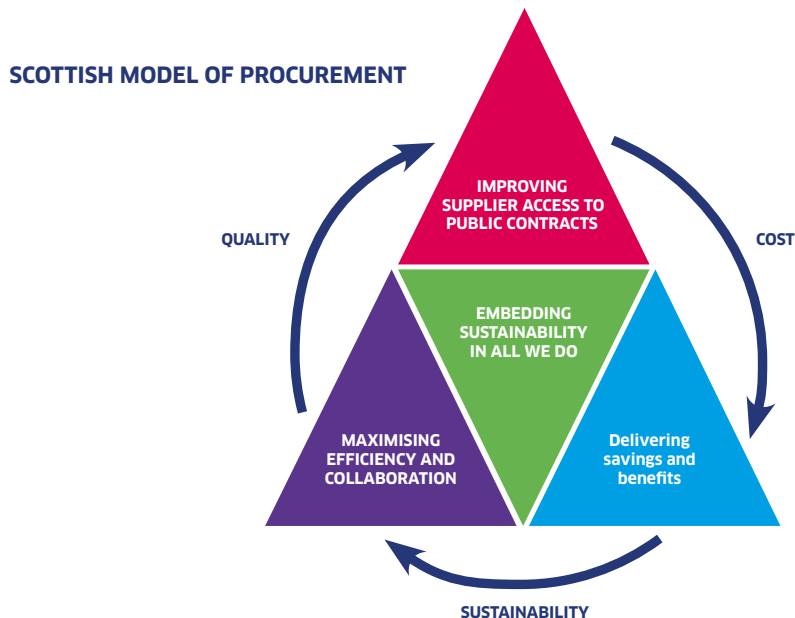
“We appreciate that some areas still require attention, however, this should not detract from the substantial progress and successes of the reform programme. Not just the tangible benefits for businesses and the third sector, but also the truly collaborative approach and engagement between the public, private and third sectors, changing the way we work together to deliver procurement that improves public services for a prosperous, fairer and more sustainable Scotland.”

## MEASURING PROGRESS AGAINST THE STRATEGIC OBJECTIVES

The public procurement reform programme developed four key strategic objectives aligned to the Scottish Model of Procurement:

- removing barriers to access to public contracts (in particular for SMEs)
- delivering savings and benefits
- maximising efficiency and collaboration
- embedding sustainability in all we do

Today these objectives are underpinned by a **people and capability** objective, this report measures the reform programme's progress, impact and achievements against the strategic objectives.



### Ainslie McLaughlin **Director, Scottish Procurement and Commercial Directorate**

“I have seen first-hand the impact Procurement Reform has had in transforming the procurement landscape. The passion and commitment of the procurement community across Scotland to support their organisations and to improve the quality and efficiency of public services which we have all come to expect and rely upon.

“The development of the Centres of Expertise in the local government, central government, health and education sectors was probably the most radical change we’ve seen implemented. It is an approach which provides a more stable governance structure and allows for greater collaboration across our organisations.

“The Procurement Reform Act and EU Directives will help us cement the gains of the last 10 years and provide a platform for the further changes we need to deliver. Collaboration will be key. But it will be collaboration with a small ‘c’ and will be about procurement professionals working alongside policy clients innovating, reforming and re-designing our public services for the benefit of the people of Scotland.”

## IMPROVING ACCESS TO PUBLIC CONTRACTS

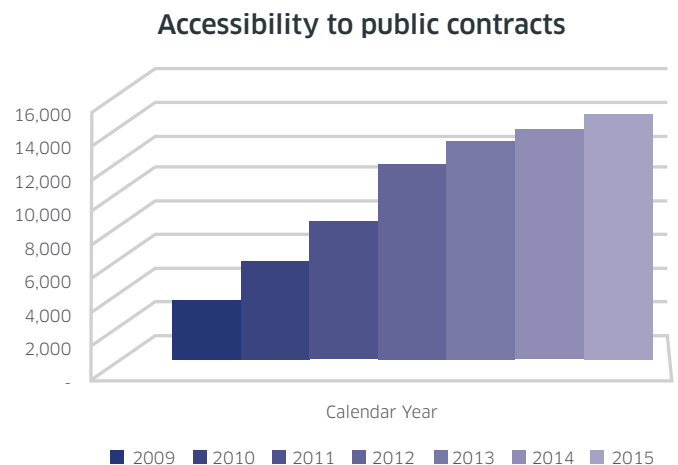
Our ability to prosper is underpinned by the ambition, growth and performance of Scotland's businesses. Whilst our competitive SMEs have an excellent track record in winning public sector contracts, we wanted to go further to help businesses, including the Third sector, get better at competing for contracts.

The development and introduction of a comprehensive, joined up suite of tools, policy support and guidance, and legislative change has helped drive procurement, simplify processes, increase access to information and opportunities. Clear benefits and gains include:

- Increased competition and supported "Best Value"
- Simple, one-stop access to contract opportunities
- Reduced administrative burden of searching for, and improved access to, public sector business opportunities
- Valuable free contract information to suppliers
- A more transparent tendering process
- Stronger communication links between buyers and suppliers
- Stimulated economic growth in Scotland
- Enabled smaller firms to bid for contracts further down the supply chain
- Standardised a best practice approach to public sector procurement
- Supported adherence to legislation, policy and procurement procedures
- Supported growth and increased capability.

### Increased access

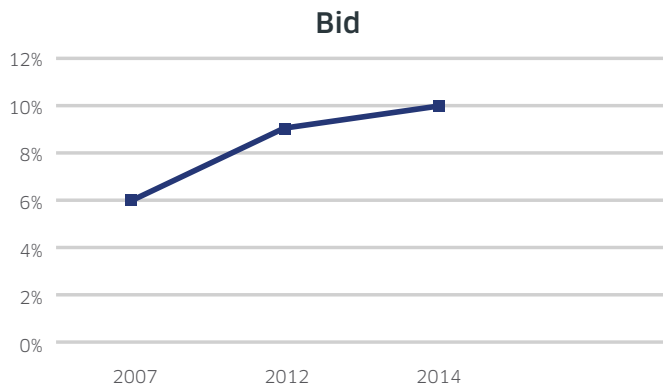
The **accessibility of public contracts** (advertised through PCS) has increased year on year from 3,516 contracts in 2009 to 14,785 in 2015. An open and competitive public marketplace directly supports the Scottish Government's national purpose of sustainable economic growth.



Source: Public Contracts Scotland

## Increased interest from small business

The Scottish Small Business Survey measures the number of small businesses who have bid for public sector contracts. There has been a steady increase in the number of SMEs bidding between 2007 and 2014.



Source: Small Business Surveys

## Small and Medium Enterprises (SMEs) are winning contracts

Information recorded on PCS identifies a high percentage of those winning contracts are Scottish SMEs.

Calendar Year	2010	2011	2012	2013	2014	2015
% Contracts awarded to SMEs in all locations	74	80	82	79	80	78
% Contracts awarded to suppliers located in Scotland	71	79	80	79	77	77
% Contracts awarded to SMEs located in Scotland	56	66	68	65	64	62

Source: Public Contracts Scotland



## Making it easier to bid for public sector work

The Standard Pre-Qualification Questionnaire (SPQQ) was created with suppliers through the Supplier Engagement Working Group (SEWG). It established a standard suite of questions, that enabled buyers to assess supplier capacity and capability, and suppliers to save and reuse their submissions.

The new EU Procurement Directives made provision for the introduction of a [European Single Procurement Document \(ESPD\)](#), which replaced the SPQQ allowing suppliers to adopt a self-declaration approach to selection and exclusion criteria in public contracts. It is mandatory that contracting authorities accept the ESPD, although the requirement to publish exclusively in electronic format is postponed until 2018. Whilst 2018 is the date when ESPD must be published electronically, users of the Scottish Government's PCS-Tender system continue to have the ability to save and re-use answers.

The sustainable procurement duty from the Procurement Reform (Scotland) 2014 Act now mandates contracting authorities to consider how procurements can be designed to facilitate access to small and medium enterprises, the third sector and supported businesses.

## Training and Support

Through the [Supplier Development Programme](#) we have, in partnership with enterprise agencies and local authority economic development and procurement partners, provided local businesses with access to advice and training to raise awareness of the opportunities and how to win public sector contracts in Scotland and beyond.

Development of the Third Sector has also been supported through the "Just Enterprise" and "Developing Markets for Third Sector Providers" contracts delivered by a consortia led by [Ready for Business LLP](#). Since 2009, nearly 9,000 SMEs have registered on the SDP website, with between 650 and 1500 SMEs registering each year.

The [SPoE](#) provided by the Scottish Government helps businesses which have concerns about a procurement exercise being carried out by a Scottish public body, and the [Supplier Journey](#) provides best practice guidance to support suppliers bidding for public sector contracts.

The SPoE offers an independent, impartial and confidential service, giving advice and assistance on the rules and regulations which govern the public procurement process. It can work with buying organisations to try to resolve concerns in an informal manner. Trends or areas of significant concern emerging via SPoE are highlighted for the attention of those working to raise procurement capability across Scotland.



## Supported Businesses

The Scottish Government greatly values the role of Supported Businesses and is committed to helping them achieve sustainable operations by having improved access to public contracts. The Scottish Sustainable Procurement Action Plan published in 2009 stated that SG policy was for every public body to have at least one contract with a supported business.

Prior to the procurement reform programme commencing in 2006, Reserved Contracts were introduced in 2004 under the public procurement directive. This allowed public bodies to reserve contracts to supported businesses.

Increasing access for supported businesses was promoted by the introduction of a national supported business framework in 2012. It provides Scottish public bodies with an easier route to contract with supported businesses for goods and services.

The Procurement Reform (Scotland) Act 2014 introduced a number of provisions relating to supported businesses. As part of the sustainable procurement duty, contracting authorities must consider how they can facilitate access to supported businesses in their procurement activity.

## **Angus Warren, CEO, Advanced Procurement for Universities and Colleges**

“The HE/FE sectors have a spirit of collaboration embedded in their DNA, and in procurement terms, collaboration was already a well-established practice as far as resources allowed. Before the McClelland report however, collaboration was generally squeezed in alongside the day jobs for procurement staff on a best endeavours basis. Procurement was for the most part, not on the agenda of senior management and so achieving depth in embedding world class procurement across institutions could often be quite challenging.

“I came late to the show as I worked in London at the time of publication but when I joined APUC in 2009, I remember thinking at the time, the whole of the UK public sector could do with taking this on-board! The McClelland report was very measured and when all involved fully understood it, it was clear it was about bringing added value through effective and well thought out collaboration but tailored to the specific needs of each sector and indeed each organisation. Our sectors have huge variety in the make-up of institutions and collaboration delivers most where the differences are understood and the solutions being delivered take account of this.

“The first 10 years since the McClelland report has, as well as already delivering significant benefits, build a very solid foundation for future benefits realisation and continuous organic development, continuing to maximise collaboration while tailoring procurement activity to ensure that it is delivered in a manner to optimise each organisations’ stakeholders’ needs.”

## EMBEDDING SUSTAINABILITY IN ALL WE DO

The Scottish Government's approach to sustainable public procurement is encapsulated in the Procurement Reform (Scotland) Act 2014. Sustainable public procurement aims to make the best use of public money by driving access to contracts for business; jobs and training; and reflecting climate change goals. Public sector procurement in Scotland has been used to achieve a wide range of economic, social and environmental benefits. With the approach enshrined in legislation, public bodies are required to consider how their procurement activity can be used to contribute to national and local priorities and to act in a way to secure this.

Published in 2007, [Social Issues Guidance](#) outlined ways in which social issues could be considered in public procurement and gave an overview of reserved contracts and community benefits in procurements.

The [Community Benefits in Public Procurement](#) report in 2008 provided information on the policy and legal context of using community benefits and included a range of case studies and model clauses. By supporting the use of these clauses, opportunities were established for local organisations, including the supported employment sector and other social and community enterprises – to compete and provide goods and services across Scotland's public sector. Use of community benefit requirements increased as they formed part of flagship projects such as Glasgow 2014 Commonwealth Game contracts; the Queen Elizabeth Hospital build and the Queensferry Crossing.

In 2009, the [Scottish Sustainable Procurement Action Plan](#) set an initial framework to enable recognition of existing initiatives and achievements and provided a “blueprint” for organisations at the early stages of developing their approach to sustainable procurement; it heralded the introduction of the [Flexible Framework](#) self-assessment tool, which has subsequently been developed and

forms a key part of the current Scottish approach to sustainable procurement.

Based on [independent research](#) by University of Glasgow, looking at 24 contracts this contributed to:

- Over 1,000 people from priority groups being employed – 38% of the job opportunities for priority groups were estimated to be additional (i.e. would not have been recruited without the CB requirement) and 75% were sustained (i.e. employed at the time of the research);
- 200 apprenticeships from priority groups – where data was available, 78% of the apprentices were estimated to be additional and 100% were sustained;
- Over 650 people from priority groups accessing work experience – where data was available, 72% of the work placements for priority groups were estimated to be additional (i.e. would not have been offered without the CB requirement); and
- Over 6,700 people from priority groups accessed training – where data was available 31% would not have received training. A further 34% of training places would have been offered (CB clause led to the training being accredited).

## Sustainable Procurement Duty

The introduction of a sustainable procurement duty in the Procurement Reform (Scotland) Act 2014, requires public sector organisations, when contracting, to consider:

- Improving economic, social and environmental wellbeing of the authority's area (with a focus on reducing inequality);
- Facilitating involvement of SMEs, third sector and supported businesses; and
- Promoting innovation.

Guidance has been written to complement a wide range of the provisions in the Act and Public Contracts (Scotland) Regulations, aimed at making public procurement socially responsible and business-friendly. It has also been designed with a view to contributing to climate change targets – for example minimising the negative environmental impacts of street-lighting and retrofits to social housing and public buildings.

A risk and opportunity-based approach to sustainable public procurement, the 'Marrakech Approach' was developed under the United Nations Environment Programme (UNEP) to accelerate the shift towards sustainable consumption and production, promoting social and economic development. To date over 700 people have been trained; mentoring support has been provided to a range of procurements across the public sector; and numerous case studies illustrating this approach have been published.

The sustainable procurement duty also requires contracting authorities to consider how procurements can be designed to facilitate access to small and medium enterprises, the third sector and supported businesses. The facility to do this has been increased over 10 years of procurement reform through:

- The Suppliers' Charter;
- Public Contracts Scotland advertising portal;
- Standardisation of pre-qualification, initially by introduction of the sPQQ and now through the Electronic Single Procurement Document (ESPD); and
- Enhanced debriefing.

### **Jim Miller, Director, NHS National Services Scotland**

The McClelland Report was composed of common sense, simple and logical conclusions: working collaboratively, in a more professional and supported environment, with a greater emphasis on value to both the internal and external customer and taxpayer. However, where it struck a chord was that it came at a time when the appetite for change was high, and the value proposition was one which was difficult to ignore.

The decision to develop the Centre of Expertise model was more than the introduction of a shared procurement service for parts of the public sector. It provided an investment and sent a strong signal to the market and the profession that procurement in the public sector was about to change.

## MAXIMISING EFFICIENCY AND COLLABORATION

The Scottish Government is focused on using procurement as a lever for economic growth, streamlining the public sector's dealings with business, and adopting more efficient procurement practices that encourage competition and secure best value.

Efficient procurement is open procurement. As well as being good for business, transparency in procurement is an important tool in the fight against fraud and corruption. The Scottish Government place great value on sharing information, reporting performance and holding up our processes to public scrutiny.

The Public Procurement Reform Programme has provided consistency in its tools and processes, to deliver efficiency benefits to public sector buying organisations and private sector suppliers, and support collaborative working across a wide range of procurement activities across the public sector. Through collaborative working and sharing experiences and expertise from across the Scottish public sector, significant progress has been made in the area of people and capability.

The reform programme has delivered efficiency benefits to public sector buying organisations and private sector suppliers.

The programme's joined up suite of electronic procurement solutions, reinforced by legislation that enshrines the Scottish Model of Procurement in statute, promote good, transparent and consistent practice in procurement to improve economic, social, and environmental wellbeing. They have maximised efficiency and collaboration through:

- Realised efficiency savings;
- A range of payment options;
- Stronger communication links between buyers and suppliers;

- Identification of opportunities where efficiencies could be made;
- Enabled buyers to create consistent tender documentation more easily;
- Standardised best practice approach to public sector procurement;
- Supported adherence to legislation, policy and procurement procedures;
- Supported growth and increased capability; and
- Supported greater levels of compliance.

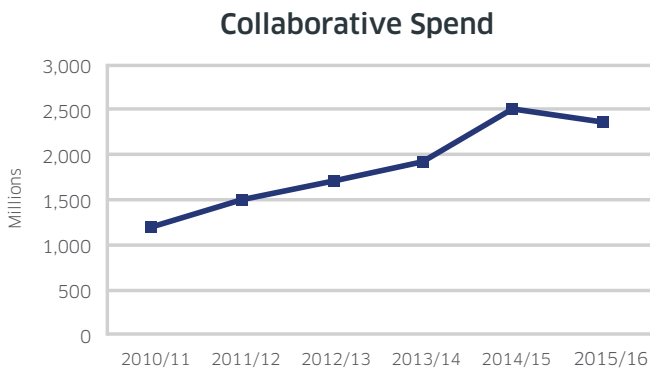
### **Collaborative contracts maximising economic impact and supporting access**

The Public sector are developing collaborative strategies taking in to account potential economic impact and ease of access for SMEs and Third Sector organisations. Collaborative contracts are increasingly being designed to deliver wider benefits. This includes procuring contracts, in a size which maximises competition whilst maintaining economies of scale and offers winners an opportunity for growth; encouraging training, with the contract period sufficient to allow pay back on investments (maximum duration of a framework is four years); assisting the development of an indigenous supply chain; and enhancing the characteristics of growth, for example inclusion of workforce related matters criteria and community benefit clauses.

Lotting strategies and additional frameworks are deployed where appropriate to enhance opportunities for smaller companies and those operating niche markets and local areas, and the scope to encourage consortia bidding also assessed.

## Collaborative Spend

Collaborative working delivers the benefits of combined purchasing power and greater efficiency. The Public Procurement Reform Programme has seen a significant increase in collaborative contract spend. Nationally, collaborative spend has risen from around £1.2 billion in 2011/12 to £2.3 billion in 2015/16 (see diagram below).



The below table illustrates aggregated collaborative spend across the sectors.

Phase/Sector	Health	Local Authority	Higher and Further Education***	Central Government (Cat A and B)	Total
2006-2009	n/a	n/a	£86m*	£200m^	£286m
2010-2014~	£3,200m	£1,899.2m	£868m	£633.1m	£6,600.3m
2014 - 2016	£2,458m	£1,472.2m	£430m**	£490m	£4,850.2m
<b>Total Spend</b>	<b>£5,658m</b>	<b>£3,371.4m</b>	<b>£1,384m</b>	<b>£1,323.1m</b>	<b>£11,736.5m</b>

Source: Figures provided by each Centre of Expertise

~ 2010/11-2013/14 Figures provided for Transforming Procurement, Accelerating Delivery Report

\* 2007/08 and 2008/09

\*\* 2014/15 actual and minimum estimate for 2015/16 as academic year-end is later (data still being compiled)

\*\*\* This is based on academic years - note that some past reports were compiled based on fiscal years so may be reported slightly differently

^ Figures from 2008/9

## Scottish Government-led collaborative procurement

Scottish Procurement lets and manages a suite of around 50 collaborative agreements across ICT, Utilities and Corporate and Professional Services. Most of these can be utilised across the wider public sector, and typically enjoy very good take up (for example Electricity and Gas are used by over 99% of the public sector by demand). Since 2008, value for money benefits of £616m have been achieved, with significant sustainability benefits also achieved, spanning social, environmental and economic aspects.

## Tools supporting improved efficiency and collaboration

A range of collaborative tools have been introduced that make it easier to do business with the public sector, as well as making it more efficient for the public sector to procure. From [Public Contracts Scotland](#), through to [Catalogue Content Management](#) (CCM) and [eInvoicing](#), every step of the procurement process in Scotland can happen electronically.

The national purchase to pay solution PECOS P2P provides a consistent interface to suppliers. In 2015/16, it captured over 2.5 million purchase orders with a combined value of approximately **£5 billion** – just under half the total public procurement spend per annum. eInvoicing capability is delivered through PECOS P2P. At August 2016, over 75,500 invoices had been captured by the service, with efficiency savings of approximately £1 million secured.

## Working with business and the third sector

Public procurement in Scotland is a truly collaborative affair. Representatives from business and the third sector have been central to – and remain fully engaged with – the implementation of McClelland's recommendations and the continuous improvement of public sector procurement.

The public sector continues to actively work with the Scottish business community to standardise processes and reduce bureaucracy. The supply chains that deliver goods and services supporting our publicly funded services are being designed, competed, awarded and delivered to maximise economic impact and deliver wider benefits. This increases opportunities for collaboration, promotes inclusive growth, and improves access for SMEs, while delivering public services that meet the needs of local people.



## Workforce Matters

In August 2013, Scotland Excel developed a national framework for social and care agency workers.

The social care sector has a high proportion of hard-to-fill vacancies and council's demands are often reactive and urgent as they respond to unexpected absences and failed recruitment drives. Scotland Excel created a technical working group to identify the core requirements of councils. The group identified agreed specifications for the 14 most common social and care agency worker roles, for which suppliers submitted a range of hourly rates. This provided flexibility and choice for councils depending on their requirements.

The framework sought to exceed expectations by achieving a real advancement for the sector through the inclusion of innovative Living Wage provisions. In 2013, the Living Wage Foundation launched its Social Care Campaign which specifically called for a better deal for care workers. In support, Scotland Excel recognised that the strategy taken would need to legally accommodate current and future policy in this area, but also reflect the substantial employment market variances across Scotland.

The tender was structured so that suppliers would not be penalised for offering a fair rate of pay to agency workers. This was achieved by only commercially evaluating the Supplier's Fee. This creative approach meant that suppliers were under no pressure to reduce pay rates in order to be "competitive". Suppliers submitted minimum and maximum rates, which incorporated the Living Wage, allowing councils to engage agency workers at the Living Wage.

One of the suppliers, commented on this innovative approach: "By taking this approach Scotland Excel allowed us to remain competitive in our tender. We were able to focus on the value we could deliver to councils without compromising the rates paid to agency workers."

Scotland Excel engaged with the Living Wage Foundation to encourage suppliers on the framework to pay the Living Wage, while also being compliant with the EU Procurement rules. Of the 13 suppliers on the framework, one supplier has become Living Wage Employer/Service Provider accredited, while the vast majority of others are committed to, and progressing towards, achieving accreditation.

## DELIVERING SAVINGS AND BENEFITS

Good public procurement is about spending money wisely. That includes demand management, as well as cash and non-cashable benefits. The Scottish Model looks beyond a simple “dash to the bottom on price” to deliver the broader benefits of public sector purchasing.

In addition to the wider benefits achieved throughout the reform programme, reported elsewhere in this report, there have been substantial savings made. Each Centre of Expertise is responsible for recording collaborative cash savings, using a standard method.

### Savings and efficiencies 2006-2016

The reform programme generated around £2 billion of savings and efficiencies between 2006 and 2016 (see below table):

### Public Sector Breakdown of Procurement Savings Reporting 2006-16 (Cash and Non-cash)\*\*

	Year	Cash and Non-Cash Savings (All sectors) £m	Cash Savings Only (All sectors) £m	Running Total £m
Savings efficiencies and benefits from Scottish Government Efficiency reporting	2006/07	127		
	2007/08	200		
	2008/09	160		
	2009/10	312		
	2010/11	375	115.8*	1,174
Savings only, aggregated from sector specific reporting	2011/12		122.6	
	2012/13		138.1	
	2013/14		161.3	
	2014/15		157.6	
	2015/16		159.7	
	Total combined savings, efficiencies and benefits 2006-16			1913.3

Source: Figures provided by each Centre of Expertise

\* First year of cash only savings recorded. Figure not included in total for this table, as included as part of cash and non-cash savings figure

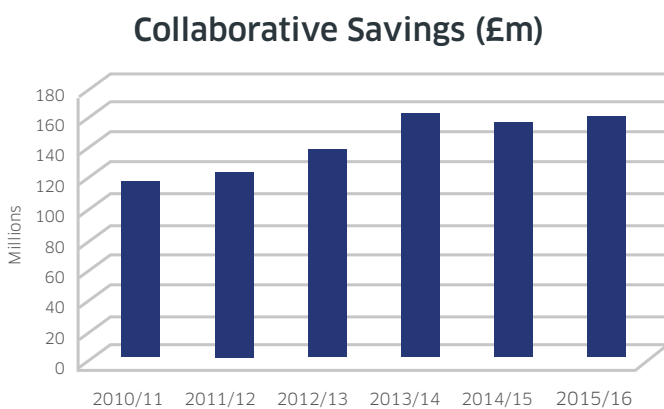
\*\* Sectors - Central Government, HE/FE, local authority, NHS



## Collaborative savings (Cash only)

Using available data, the below table highlights the (cash) savings made throughout the programme year on year since 2010.

(Cash) savings have risen gradually, levelling out in 2014. The programme has recorded a total of **£855.1 million (cash) savings in the past 6 years** across the public sector.



Source: Figures provided by each of the Centres of Expertise

### **Scott Bell, Head of Procurement Reform Integration Division, Scottish Procurement and Commercial Directorate**

“Procurement today has a purpose well beyond making contract savings. There has been a cultural shift in how we use public procurement, that can be seen in legislation. What was a charter for suppliers, now requires a strategy by public bodies that will be publicly measured against on an annual basis.

“Future public services in Scotland will be delivered by well managed supply chains that are focused on delivering better outcomes for our people. Our information systems will be exemplars in openness and transparency. The people of Scotland will be directly connected to the supply chains of public services as we leverage some of the best practice that exists today.”

## Review of Scottish Public Sector Procurement in Construction

The public sector in Scotland spends in the region of £4 billion every year on construction or construction related contracts, representing somewhere in the region of 40% of all public sector procurement spend. Construction procurement is, in some respects, no different to any other procurement. It is subject to the same procurement law, whether that originates in Scotland, in the UK or from Europe and at its heart that means it must be procured in an open, fair and transparent manner.

It does though have some significant aspects which require different handling measures. Some of these are legislative; for example, the provisions of the Housing Grants, Construction and Regeneration Act 1996 sets out rules for payments within construction contracts. The project lifecycle associated with construction of public assets also requires some specific procurement and commercial practices to be developed for construction.

### Construction Procurement Reform

John McClelland recognised that Construction was sufficiently different as to require a bespoke review of the way in which it was procured for the public sector and in 2013 Robin Crawford and Ken Lewandowski presented their Report on Scottish Public Sector Procurement in Construction. This made 67 recommendations, 66 of which were accepted by Ministers. In 2014 a team was set up to implement these recommendations within the public procurement reform landscape, with oversight provided by a new body, the Construction Review Delivery Group.

### Output and Implementation

Implementation of the recommendations is being delivered alongside and consistent with current procurement legislation and will complete in early 2017.

## DEVELOPING PEOPLE AND CAPABILITY

Through collaborative working and sharing experiences and expertise from across the Scottish public sector, significant progress has been made in the area of people and capability. In addition to significant progress at sector levels, key achievements nationally include identifying and starting to address current and future national skills development gaps; providing tools – free of charge to all – to measure and support career and capability development; and creating and developing of procurement people of today and tomorrow.

### Measuring and supporting continuous improvement

To support continuous improvement and identify key areas for improvement, in 2009 Procurement Capability Assessments (PCAs) were introduced. The PCA represented a significant step towards advanced procurement, further allowing procurement to be recognised as a key public sector skill, and a vital conduit between the public and private sectors.

The structure and approach of the PCA won recognition beyond Scotland. The Welsh Government adopted it as the basis for their approach in assessing procurement capability; it was also adopted as an assessment tool in the Higher Education sector in England. There was excellent progress across the Scottish public sector in meeting the national target of all organisations to achieve 50% or above. **The average PCA score increased from 35% in 2009 to 66% in 2016.**

The Procurement and Commercial Improvement Programme (PCIP) was introduced in 2015 as an upgrade of the PCAs. It reflects broader procurement influence, provides a fresh challenge to high scoring organisations, assists with the implementation of legislation and regulations, makes the process more robust, and improves the reporting of results to give greater clarity surrounding the gaps and opportunities that need to be reflected in business plans.

It has now been introduced across the public sector and emerging results show that the improved practices stimulated by the PCA are now embedded and being developed further through the more in depth requirements of the PCIP.

The national online Procurement Journey is recognised across Scotland, the UK and internationally as the benchmark tool for driving procurement excellence. It grows and improves procurement capability across the Scottish public sector by encouraging and facilitating best practice procurement, standardisation and compliance.

## Addressing Skills Gaps

Procurement People of Today and Leaders of Tomorrow aims to develop existing procurement and commercial talent. It focuses on identifying and addressing skills gaps and learning priorities through a cross-sector National Learning and Skills strategy, helping to create our leaders of tomorrow and championing career paths and continuous professional development.

Promoting procurement as a profession of choice, Procurement People of Tomorrow (PPoT) is embedded in talent and succession management across the public sector and championed through supply chains and wider private sector. Over 55 invites to the national procurement conference were issued to the latest PPoT graduates and Modern Apprentices in 2016.

## Creating a sustainable legacy

Procurement People of Tomorrow is a Scotland-wide partnership programme that aims to create our “future” procurement and commercial talent. Our vision is to leave a sustainable legacy for the procurement profession in Scotland by growing our own talent to address industry-wide skills shortages. This includes engaging with schools, colleges and universities to raise awareness of procurement as a career of choice; creating and supporting vocational and academic pathways in to the profession including new Modern Apprenticeship programmes and joining up with industry to support youth employment.

## Underpinning standards of practice

Originally launched in 2006, the free national procurement competency framework was refreshed in 2015. Well-regarded, widely used within Scotland and used as a benchmark across the globe, it is now aligned with the latest Chartered Institute of Procurement & Supply (CIPS) global standards and allows any public body to tailor it to support local recruitment, career and capability development activity.

## Identifying and addressing national learning and skills priorities

A National Learning and Skills Strategy was developed that mapped the top 5 training priorities for EU Legislation and Reform Act development needs from across the public sector.

Procurement and Sustainable training frameworks have been established to embed cross-sector learning and skills. These allow the development of new, bespoke and higher level courses than previously available, which can be shared across sectors.

## Opening up cross-sector learning and skills opportunities nationally

In 2016, 20 seminars were held in a range of locations from the central belt to the Orkney and Shetland isles. These supported over 1,100 procurement professionals from across the Scottish public sector in adopting the changes to EU Legislation and the effect of the Procurement Reform Act.

Procurement’s Knowledge Hub is used as a central platform for over 1,200 public sector procurement staff to have access to key EU and Reform Act training material and the national competency framework. This platform also functions as a national network for sharing expertise and learning.

# THE FUTURE OF PUBLIC PROCUREMENT IN SCOTLAND

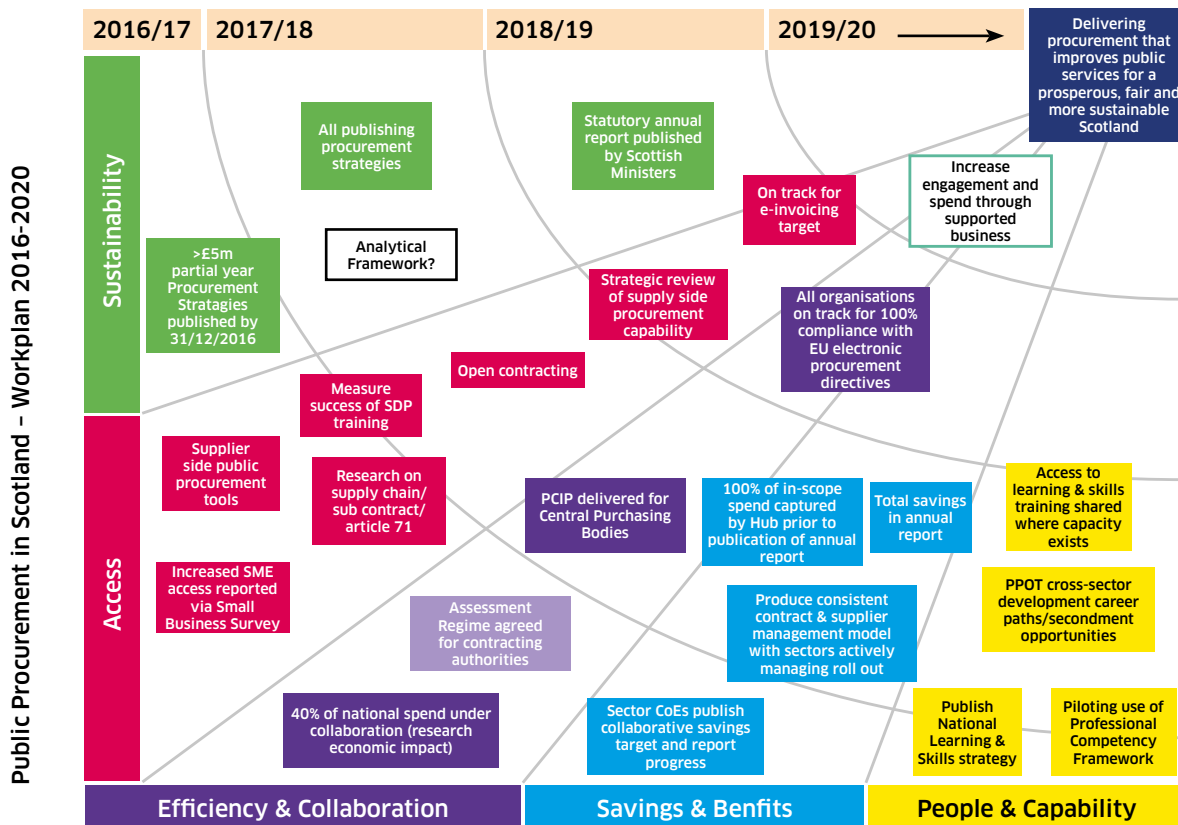
Scotland’s vision is to **deliver procurement that improves public services for a prosperous, fairer and more sustainable Scotland**. The approach to procurement in 2016 builds on the hallmarks of the procurement reform programme – business friendly, socially responsible procurement, making the purchase of services much quicker, of better value, and supporting small and medium-sized businesses.

## Procurement’s Workplan

The detail of the work to deliver continuous improvement in Procurement in Scotland is captured and measured in a Workplan (below), developed collaboratively across the Centres of Expertise, with supplier input.

Reviewed annually, it captures high level milestones and activities mapped against public procurement’s strategic objectives.

Public Procurement in Scotland continues to focus on the strategic objectives aligned to the Scottish Model of Procurement that influenced the Public Procurement Reform Programme.



Source: <http://www.gov.scot/Topics/Government/Procurement/about/Review/2016-17workplan>

The Workplan will continue to be developed to align with the requirements arising from the Procurement Reform (Scotland) Act 2014.

## Annual Reporting

With transparency in public procurement a core tenet of the Procurement Reform (Scotland) Act 2014, the Act requires contracting authorities with procurement spend of £5 million or more per annum to publish a procurement strategy.

A procurement strategy will enable a contracting authority to set out how it intends to ensure that its procurement activity delivers value for money and contributes to the achievements of the authority's broader aims and objectives, in line with Scotland's National Outcomes.

A contracting authority must, in its annual procurement report, record and publicise its performance and achievements in delivering its strategy. These reports will be published by the individual authorities and will form the basis for an annual report on procurement activity in Scotland to be prepared by Scottish Ministers. Financial year 2017-18 will be the first full year subject to annual procurement reports under the Act.

Publication of procurement strategies and annual procurement reports will support better information, increase transparency and visibility, and provide a better basis for engagement. And they will help promote the positive impacts public procurement can have on Scotland's economy and public services.

### **Paul McNulty Head of Policy Division, Scottish Procurement and Commercial Directorate**

"The McClelland report was in many ways a 'game changer' in its vision and ambition and was, in my view, the single most significant step to date in the Scottish Procurement and Commercial Directorate's evolution.

"The report gave us a coherent national strategy for improving procurement. It helped that procurement professionals/managers in other sectors had similar views of the issues and opportunities. For example, Scotland Excel was a creation of the sector itself, built around what was formerly ABC Consortium.

"We now have an international reputation for good practice and are constantly being asked to present at conferences or host study visits. In 2011 when the European Commission was preparing its thinking on the new procurement directives it hosted a two day private workshop in Brussels which was by invitation only. We were one of only 11 member States invited, selected the most advanced approach to public procurement."

## CASE STUDIES

Over the course of the procurement reform programme, a number of case studies identifying best practice and providing valuable lessons learned have been developed across the public sector. Here are some of the examples:

**APUC** – Shared Service – [Delivering institutional teams](#)

**APUC** – Sustainable – [Embedding sustainable supply chain](#)

**Historic Scotland** – Sustainable – [Edinburgh Castle Floodlighting](#)

**NHS Greater Glasgow and Clyde** – [Brookfield Multiplex](#)

**NSS National Procurement** – Collaborative – [Denpro](#)

**NSS National Procurement** – Collaborative – [National Equipment Imaging Group](#)

**NSS National Procurement** – Collaborative – [Enabling Parent Access to PECOS](#)

**NSS National Procurement** – Sustainable – [Food procurement](#)

**NSS National Procurement** – Sustainable – [Distribution of Flu Vaccinations](#)

**Renfrewshire Council** – [Assessing procurement capability](#)

**Scotland Excel** – Sustainable – [Domestic Furniture and Furnishings](#)

**Scotland Excel** – Sustainable – [Living wage for care workers](#)

**Scotland Excel** – Sustainable – [Responsibly sourced timber](#)

**Scotland Excel** – Sustainable – [Organic Waste](#)

**Scotland Excel** – Sustainable – [SME framework support](#)

**Scottish Futures Trust** – Collaboration/ sustainable – [LED lighting initiative](#)

**Scottish Government** – Sustainable – [Gartcosh Crime Campus](#)

**Scottish Government** – People – [Procurement People of Tomorrow](#)

**Scottish National Heritage** – Sustainable – [Facilities Management](#)

**Skills Development Scotland** – Development of profession – [career paths](#)

**University of Abertay** – Sustainable – [Dares to be Digital](#)



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