

Business in Parliament Conference (BIPC) 2023

Workshop 4 – Procurement

Hosted by Federation of Small Businesses (Scotland) and Women's Enterprise Scotland (WES)

Overview

Public procurement is a source of significant expenditure in the Scottish economy. From the girders that build our bridges to the pencils our pupils learn to write with, businesses of all types and sizes can bid for the opportunity for public sector bodies to buy their goods and services.

Given the scale of the opportunities available in procurement, it is imperative that these opportunities can be maximised by as diverse a range of businesses as possible. This workshop will explore some of the opportunities and challenges associated with procurement and discuss what priorities must be going forward.

This workshop aims to discuss opportunities relating to public procurement and agree priorities for the Scottish Government, in partnership with business, to take forward

Introduction

Scotland's public sector spends approximately £14.5bn in procuring goods and services every year. There are 354,740 SME businesses in Scotland, (98% of all Scottish businesses¹), of which 338,025 are micro businesses (0-9 employees, these account for 94% of all businesses in Scotland). Despite making up the vast majority of Scotland's businesses, micro businesses received under 5% of procurement spend by value in the year 2021-2, while SMEs receive around 14%.

From a gender perspective, women-owned employer businesses make up an estimated [23% of Scotland's SMEs](#) and contribute an estimated £8.8bn GVA into the Scottish economy². Recent research from [Scottish Widows](#) finds worsening gender gaps in pay and pensions between men and women across the UK year on year. Uneven effects of cost-of-living increases are exacerbating structural inequalities, and negatively impacting the retirements prospects of most UK women. Enabling more women-led micro and small businesses to benefit from public procurement can help to reduce these significant gender gaps in enterprise participation, pension provision and economic contribution.

Data gap

One of the biggest challenges to addressing issues with supply chains is data gathering and there are gaps in the data. For example, it is not known what percentage of procurement spend goes to women-led businesses, or businesses run by people with other marginalised identities. Furthermore, roughly a tenth of public spending was with firms whose size could not be determined. This makes reporting a challenge as the margins move significantly when businesses of unknown size are taken out of consideration.

Community Wealth Building (CWB)

Community Wealth Building (CWB) is a policy priority of the Scottish Government, with the intention of maximising opportunities for wealth creation and asset ownership in local places. A key aim of CWB is to help local businesses grow, in part by winning more public sector contracts. FSB

¹ <https://www.gov.scot/publications/businesses-in-scotland-2022/>

² <https://www.fsb.org.uk/resource-report/supporting-women-s-enterprise-in-the-uk.html>

research indicates that for every pound spent in a small business, 63p goes back into the local economy, as opposed to 40p with larger companies.³

Barriers

A number of barriers to procurement have been identified through supplier surveys, round tables, and targeted research to help inform opportunities for improvement. Though targeted actions and projects are underway there is more to do.

For example, applications can be prohibitively time consuming, and solutions exist to help ease the process – for larger suppliers there is the Public Contract Scotland (PCS) portal with Single Procurement Documents, for smaller ones there is the Quick Quote function - but neither is perfect and awareness could be improved, especially on the lower end of the price scale. Many businesses say the time taken up by filling out the paperwork to bid for smaller contracts is not worth the time lost doing business. Even if it's probable that they will get the contract, the process can be off-putting causing them to avoid it.

The public sector is committed to support community wealth building through a range of targeted approaches. However, there remains a perception that Framework Agreements can be prohibitive, locking out smaller businesses. While they exist to secure best value for the public purse, enabling wider sustainability aspirations, budget restrictions will influence decisions on the balance of cost and quality to keep costs down, at the expense of boosting local spend.

In FSB's most recent research, 54% of small businesses told us that they have fallen victim to late payment recently⁴. Local authorities, for example, paid nearly 92% of invoices within 30 days last year, but this promptness is not always passed along down the supply chain. Refusal of payment within a reasonable timeframe is, effectively, polite theft and a leading cause of business closure.

Current Policy Position

Scotland has been pushing the boundaries to use public procurement to achieve wider economic and social outcomes for nearly two decades. The Scottish Government's approach to sustainable public procurement is encapsulated in national legislation that requires public contracting authorities to consider how they will improve the social, economic and environmental wellbeing of the area(s) in which they operate, underpinning our community wealth building aspirations and encouraging procurement to make the best use of public money by driving access to contracts for small businesses; jobs and training; and reflecting climate change goals.

SMEs and micro businesses are critical to the Scottish economy and working to increase public procurement spend with Scottish companies and SMEs is a long-standing priority of the Scottish Government. Not every SME seeks to contract with the public sector, however the evidence suggests that many SMEs do engage with public bodies through contracting opportunities.

The Scottish Government sets out its procurement's contribution to the economy in the Scottish Ministers Annual Report⁵.

A range of systems, tools and support are available for suppliers to help them bid for and win contracts, including [PCS](#), the [Supplier Journey](#) and the [Supplier Development Programme](#).

³ <https://www.fsb.org.uk/resources-page/a-fresh-start-for-procurement-.html>

⁴ <https://www.fsb.org.uk/static/84f47dd3-0cbe-4339-afd147be808b02f5/Late-Again-How-the-coronavirus-pandemic-is-impacting-payment-terms-for-small-firms.pdf>

⁵ <https://www.gov.scot/publications/annual-report-procurement-activity-scotland-overview-procurement-activity-2020-21/>

Procurement in Scotland must be undertaken in compliance with Procurement legislation including a Sustainable Procurement Duty that requires public bodies to encourage the involvement of SMEs, third sector and supported businesses. Our procurement legislation also places an obligation on public bodies to ensure that the processes and procedures up to contract award are open, transparent and ensure equal treatment and non-discrimination.

There is always more that can be done, and Scottish Government Procurement regularly engage with suppliers and SMEs through roundtables, forums, and surveys. We welcome this workshop as an opportunity to hear the views of businesses, identify barriers and ways to further improve.

Questions to consider in this workshop

- What are the best global examples of sustainable procurement. What are they doing right?
- What is the case for creating local, inclusive spending policies?
- How can we encourage more participation in procurement processes from SMEs and minority-led businesses?
- What are the barriers holding back SMEs and minority led businesses from participating in procurement processes?
- How big a problem is poor payment practice and what can be done to tackle it?



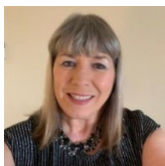
Ruth McElroy, Federation of Small Businesses (Scotland), Chair: Public Affairs and Communications Officer with the Federation of Small Businesses (FSB) in Scotland for the last two years. She comes from a background in campaigning with a particular interest in equalities issues.



Lynne Cadenhead, Women's Enterprise Scotland (WES): Chair of WES and CEO of an alcohol-free drinks company. An advocate for Diversity and Inclusion, she has served on over 30 Boards including Chair of UNICEF in Scotland and as an Ambassador for Women on Boards. In 2020 she was awarded the Institute of Directors Scotland Director of the Year award for Equality, Diversity and Inclusion. She serves on Scottish Government's National Council for Economic Transformation.



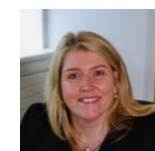
Jeanette MacIntyre, Indeglas: Founder and MD of Indeglas, providing architects, designers and construction companies solutions to transfer light into the heart of buildings. Jeanette is an interior and spatial designer and studies neurological research to inform her understanding of human perception processes.



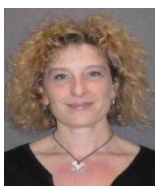
Pauline Macdonald, ex Board Member, Women Business Enterprises Canada Council (WBE Canada): Procurement and Supply Chain Leader with 30+ years international experience in the private and public sector. Pauline recently returned to Scotland from Babcock, Canada. She is a previous board member of WBE, a Canadian non-profit organisation, providing certification services for supplier diversity programs.



Gillian Cameron, Supplier Development Programme (SDP): Programme Manager for the SDP and has over 30 years' experience in public sector procurement. She is a member of the Scottish Government's Procurement Supply Group and the Community Wealth Building Bill Steering Group.



Julie Welsh, Chief Executive Officer, Scotland Excel: More than 20 years' experience in the public and private sectors, previously working at Renfrewshire Council before Scotland Excel.



Nikki Archer, Scottish Government Procurement: A proven track record over three decades of strategic and operational delivery within both public and private sectors. Directs transformational change projects at a local, national and international level, embeds best practice standards and building the capability of individuals, organisations and supply chains. She has a key role in driving public procurement reform within Scottish Government.