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Dear Claire,

Thank you for the opportunity to give evidence to the Committee on Scotland's Supply Chain on 26 January.

A number of questions which members raised related to public procurement, and so the Committee may be interested to read the third Scottish Ministers' Annual Report on procurement activity across Scotland for 2019-2020, and the Scottish Government's own annual procurement report for 2020-21, both of which were published recently, and which I have enclosed.

A key priority for the government is using the public sector's collective spending power to deliver sustainable and inclusive growth.

Indeed, the power of procurement spending is significant – over 5,000 regulated contracts were awarded in Scotland in 2019-20, with a total Scottish public sector procurement spend of £13.3 billion, contributing around £6.5 billion to Scottish GDP.

The committee was particularly interested in participation in the labour market. The Scottish Ministers' Annual Report sets out that around 120,000 full-time equivalent jobs were supported by Scottish public procurement spending during that period.

A good example of our approach is the facilities services management contract for the Scottish Government estate. This will support 40 job creations and 60 work placements. The contractor will also be expected to deliver careers information, advice and guidance events, training weeks, S/NVQ starts for the workforce, main contractor and sub-contractor industry certification, training plans and case studies.

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Importantly, though, we are committed not just to supporting jobs, but to promoting fair work practices through our contracts, and I announced in October of last year that companies bidding to win Scottish Government contracts will have to pay at least the real Living Wage.

The committee was also interested in how much of public procurement spending was reaching businesses in Scotland. In Scotland alone, total spend across the public sector in 2019-20 was £7.4 billion (up from £6.9 billion the previous year), and this was spent with 25,611 suppliers, with many more benefitting from supply chain opportunities. Some 58% of spending in Scotland went to an SME.

The Public Contracts Scotland website makes it easy for businesses of all kinds to access and win public contracts, particularly the Quick Quotes functionality which public bodies use to award lower-value contracts, which are particularly important for smaller businesses. In total, 76% of suppliers awarded contracts through PCS were Scottish, 79% were SMEs and 63% were Scottish-based SMEs.

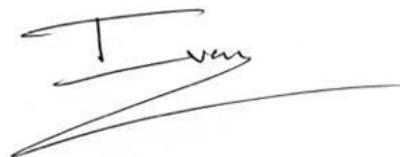
It is always important that we continuously improve, and to that end we have published research into the effectiveness of the Sustainable Procurement Duty contained within the Procurement Reform (Scotland) Act 2014, and separately, the results of a comprehensive survey of suppliers which received over 1550 responses. We have held a programme of SME round table meetings to hear directly from SME suppliers about their experiences of bidding for and winning public contracts.

As a result of this, we are identifying priorities for action to maximise the impact of procurement. This will include activity to increase understanding and application of procurement policy and standards, build local capacity, promote innovation and strengthen our supply chains.

Finally, we are preparing guidance for buyers and suppliers to improve payment performance in the supply chain. This will include making prompt payment a condition of contract award. It is our intention that this approach will be tested with the forthcoming Civil Engineering Framework tender, worth approximately £600 million over four years.

We have also agreed with industry to review the tender assessment process for construction projects and in particular investigate sustainable pricing.

I hope the Committee finds these reports interesting reading, and I hope they underline the very significant priority the Scottish Government places on using the power of public procurement for the benefit of Scotland as a whole.



IVAN McKEE

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