Sustainable Procurement

The **Sustainable Procurement Duty**, outlined in the **Procurement Reform (Scotland) Act 2014**, requires you to think about how you can:

- improve the economic, social and environmental wellbeing of the area(s) in which you operate – whether that is nationally or more locally. Particular focus should be on reducing inequality;
- facilitate the involvement of small and medium enterprises (SME), third sector bodies and supported businesses; and
- promote innovation.

Creating a positive impact through procurement should be a key part of commodity/service profiling and strategy development. Embedding sustainability into procurement can support the objectives of the organisation as set out in relevant policies and/or strategies and can be adapted to reflect the nature of the contract.

The scope to achieve sustainability benefits can be aided by supplier and market engagement before the procurement process begins which is essential to allow understanding of the market capability and for the market to understand and prepare their response to tender requirements. You should fully explore the possibilities with your User Intelligence Group and other relevant experts for your procurement.

Quickfire Guide

Quickfire Guide

Example of Economic, Social and Environmental Wellbeing outputs achieved by sustainable procurement

Economic Factors • Availability of suitable and high-quality jobs • Measures to encourage access to procurement for local small businesses • Addressing Fair Work practices, including paying the real Living Wage • Efficient and effective transport links • Lifelong learning • Training and skills development	**Social Factors** • The promotion of good quality and affordable housing • Safe communities • Actions to promote equality and address inequality including child poverty through Fair Work
Health Factors • Promotion of good physical, social and mental health • Developing and promoting polices that have a positive impact on health outcome	**Environmental Factors** • Actions to reduce emissions associated with goods, works and services • Availability of clean air, clean water and clean streets • A quality built environment • The removal of objects considered hazardous to health • Freedom from high-risk flooding • Improving and promoting biodiversity and accessibility to nature

When considering sustainable procurement outcomes (such as above), any contract requirements must be linked to the contract subject matter.

Statutory Guidance has been published on the Sustainable Procurement Duty to help you.

Sustainable Procurement Tools

Open or close

The Scottish Government has developed a number of tools to help you:

- identify and work on how to increase economic, social and environmental benefits from your contract.
- agree your sustainable procurement priorities.

You can use the following tools when developing your commodity/service strategies:

- The **Flexible Framework Assessment Tool**: an organisational level maturity matrix to help assess current sustainable procurement progress and suggest improvement actions
- The **Prioritisation Tool:** an early stage tool (as a matter of good practice, you should complete this at a category or organisation level prior to working on your commodity/service strategy)

Life-Cycle Impact Mapping: Every product and service has a 'life cycle' or number of stages it goes through:

- obtaining raw materials;
- manufacturing and logistics;
- use of products or works and the delivery of services;
- re-use/re-manufacture and final disposal.

Life cycle impact mapping (LCIM) is used to identify and assess the social and environmental impacts of these stages.

The **Sustainability Test**: used at category/commodity/service level to identify potential scope of benefits.

The above tools can be accessed by registering on the **Sustainable Procurement Tools** platform. Accompanying **Sustainable Procurement Guidance** can also be accessed on the Sustainable Procurement Tools and is available for both

registered and unregistered users.

By using these tools you can:

- identify what risks and opportunities can be targeted for each commodity
- help manage those risks and exploit opportunities
- include recommendations in your Commodity Strategy to be addressed as part of the procurement process to help address risks and opportunities identified.

Successful Sustainable Procurement, Risks and Opportunities

Open or close

There are always different options available to you when examining how to achieve this balance. You may wish to visit the **Case Studies** section of the Sustainable Procurement Tools platform to read process-focused examples of how sustainable procurement benefits have been embedded in public procurement exercises.

Risks and opportunities from sustainable procurement are aligned with the National Outcomes and the UN Sustainable Development Goals.

Quickfire Guide

Quickfire Guide

Successful Sustainable Procurement, Risks and Opportunities

Go to Quickfire Guide Links to content

Involving SMEs, The Third Sector and Supported Businesses

Open or close

To meet your obligations under the Sustainable Procurement Duty you must consider how to facilitate the involvement of:

- Small and Medium Enterprises (SMEs) and
- Third Sector Bodies and

- Supported Businesses

in all procurement exercises.

To do so there are some specific actions you must take:

- Develop transparent, detailed organisational Procurement Strategies and Annual Procurement Reports, including Forward Plans. This helps prospective bidders identify opportunities ahead of the advertisement stage and plan resources. Procurement Strategies and Annual Procurement Reports are mandatory for Organisations who expect the value of their regulated contracts in that year to be £5 million or over (excluding VAT).
- Increase the use of debriefing. This supports the development and improvement of bidders, benefiting both the bidders and the organisation for future procurement exercises.

SME's

The majority of businesses are SME's. By doing everything you can to make it easy for SME's to bid for your exercise then you are reaching the broader market and this can benefit your organisation as well as the broader economy.

Some things you can do to help SME's access public procurement include:

- Make sure your procurement exercise is advertised properly;
- Keep tender documentation clear and precise;
- Use lotting to enable smaller companies to identify potential opportunities;
- Make sure to include SME's in pre-tender market engagement;
- Check that your tender and selection criteria are proportionate and will not exclude SME's - e.g. do you really need such high levels of insurance for this tender?
- Using a **Dynamic Purchasing System (DPS)** can offer benefits to SME's in that, on qualifying they can access the contract at any time through it's life and have access to smaller competitions within larger frameworks.

There are many more things that you can do (or indeed not do), and you should take time to explore these as part of your strategy development. Speaking to colleagues, your UIG and contacting organisations such as the **Supplier Development Programme** can be very helpful.

Third Sector

The Third Sector, which includes charities, social enterprises and voluntary groups, delivers essential services, helps to improve people's wellbeing and contributes to economic growth. It plays a vital role in supporting communities at a local level. The economic contribution of Third Sector organisations is steadily increasing and we expect this to continue in the coming years. Some things you should do to help Third Sector suppliers access your procurement exercise include:

- Identify and engage with any relevant Third Sector suppliers as early as possible in the process;
- Examine the market to identify any potential "blockers" to entry – e.g. are there providers for some of the requirement but not all? Would using lots help open up the opportunities?

Many of the actions that you can take to make sure SME's are engaged can also support the inclusion of Third Sector organisations. Each local authority in Scotland has a **"Third Sector Interface" (TSI)** and further information can be obtained from them if you need help in identifying local Third Sector organisations.

Reserving Contracts for Supported Businesses

Where a market exists, your Organisation can "restrict" competition so that only supported businesses can bid. In these cases, this must have been assessed as appropriate as there are specific rules around the restriction of competitions.

SPPN 1/2025 provides further information and guidance on Reserving Contracts for Supported Businesses, including:

- Determining whether an organisation meets the definition of a supported business for the purposes of public procurement legislation;
- Identifying supported businesses; and
- Monitoring and reporting.

Addressing Fair Work Practices

Open or close

Fair Work practices are actions an employer adopts for the benefit of its workers. They are above the minimum legal requirements and reflect the **five dimensions of the Fair Work Framework.**

When developing any procurement exercise, you must do so in line with Statutory Guidance. This requires you to consider how to address Fair Work practices in all procurement exercises before you start your procurement.

To support this **Best Practice Guidance and a Toolkit** have been developed to offer additional guidance and practical tools for public bodies and suppliers. Guidance has been embedded throughout the Procurement Journey.

The Scottish Government believes that contractors who go beyond minimum legal requirements by adopting Fair Work practices will:

- increase innovation,
- improve workplace outcomes and business performance,

positively impact on the delivery of a public contract. The payment of the **real Living Wage** is considered by the Scottish Government to be a significant indicator of an employer's commitment to Fair Work practices. The payment of the real Living Wage is one of the clearest ways an employer can demonstrate a positive approach to its workforce.

- the real Living Wage should not be confused with the National Minimum Wage (including the 'national living wage'), which is the legal minimum wage set in law by the UK Government.

The Scottish Government expects:

- **Organisations** to promote Fair Work practices in all relevant procurement exercises. At the same time ensuring a balance between contract quality and cost. This will include the impact of working conditions costs, and
- **Suppliers delivering public contracts** to adopt and demonstrate appropriate Fair Work practices., They should ensure these are delivered for all workers engaged on public contract delivery.

In addition to the **Sustainable Procurement tools**, a **Fair Work practices commodity/service strategy: checklist and flowchart** is available to help identify how to address fair Work in relevant procurement exercises **with an example - Fair Work commodity/service strategy: checklist - home support services.**

The **Toolkit** also includes Information Sheets on:

- **Frequently asked questions**
- **What is Fair Work?**
- **What is the real Living Wage?**
- **What are Fair Work practices?**
- **Useful resources**

You must make sure the performance of the contract by suppliers complies with their obligations in environmental, social and labour law. It is essential that robust requirements are built into your strategy, procurement documents and contract management processes.

For example, when considering how to address Fair Work practices in a procurement exercise, you must assess whether you should exclude supplier(s) if they do not meet their legal obligations as a diligent employer.

SPPN 09/2016 includes guidance and contract conditions an organisation can adapt for use in its contracts.

Promote Innovation

Open or close

You must consider how you can **promote innovation** through your procurement exercise.

Some methods you can use to achieve this are:

- using outcome specifications,
- identifying options to innovate through the procurement process
- directly procure research and development to inform your requirements

You may find **SPPN 3/2023** to be helpful when considering **how to support innovation through procurement**.

Other Areas for Consideration

Sustainable procurement elements can also be included as part of your costing model and it's important for you to review what models are available and assess where you think that sustainable elements can be considered.

Whole Life and Life Cycle Costing

Open or close

You can apply life cycle costing as part of the specification and subsequent evaluation.

Life Cycle Costing may be used where additional environmental costs result from the products or services being purchased e.g. carbon emission costs from purchased

machinery and the environmental disposal cost at end of life.

Further information on whole life costing and life-cycle costing can be found in **Additional Resources**

Lifecycle Impact Mapping:

Focuses on social and environmental impact rather than cost. Life cycle impacts help the user identify and assess impacts. For example, it may help to focus attention on the disposal phase before the procurement is carried out. This allows you to build end-of-life management requirements into performance clauses for successful contractors and your own internal management procedures.

Labels

Open or close

There is specific guidance around the use of labels within procurement.

To specify labels in your procurement exercise you need to meet the following criteria:

- The labels can only concern criteria that are linked to the subject matter of the contract
- They have to be based on objective and non-discriminatory criteria
- The label itself is established in an open and transparent procedure and accessible to all interested parties
- The label requirements are set by a third party over which no potential bidder has any decisive influence

Rather than apply a label on a broad basis, if it's more proportionate you can detail which label requirements are to be met. This will reduce the burden on bidders and could expand the number of capable bidders for your process.

Labels must comply with the label requirements of the Public Contracts (Scotland) Regulations 2015 and equivalent labels must be accepted. Where the bidder can demonstrate it has not been possible to obtain either the label or an equivalent, through no fault of its own, you must accept other appropriate means of proof e.g. manufacturers technical dossiers.