



SCVO Research Report

The voluntary sector and Procurement:

a summary of current sector
experiences

June 2024

The voluntary sector and Procurement – a summary of current voluntary sector experiences (2024)

About this briefing

This paper draws together the main themes emerging from a range of reports exploring the experiences of voluntary sector organisations engaging in public sector contracts and the procurement process. The paper looks at the current picture in Scotland and recent developments. It explores some of the broad barriers preventing the third sector from engaging fully with the procurement process, then looks at some of the policies and practices which support engagement. The reports looked at here include surveys and interviews commissioned by both the public sector and the voluntary sector.

The voluntary sector's experience of procurement – key themes

- There is general consistency across reports regarding experiences with procurement and the improvements that need to be made.
- Significant barriers to third sector organisations' participation in procurement work remain – the most frequently referred to are competitive tendering, short term contracts, poor terms and conditions, lack of engagement with contracting authorities and the complexity of procurement processes.
- There is a disparity between experiences of public sector procurers and third sector suppliers/providers – procurers believe significant positive changes to processes have been made while third sector providers still experience difficulties in practice despite legislative aims, due to the lack of consistent implementation.
- Good policies are in place, but there is still a disconnect between policy and practice on the ground, and very little meaningful evaluation and monitoring. More still needs to be done to encourage and facilitate participation of third sector organisations in procurement.
- Do we need a system reset? Current processes continue to prioritise price/cost over quality/outcomes, are not person-centred, are often inefficient, and are risk averse.
- There are alternative models and ideas being put forward by organisations regarding how processes can be improved. However, instances where there has been successful implementation of these models are exceptions rather than standard practice.
- In general organisations would like to see procurement shift to a more collaborative rather than competitive model, with stronger partnerships between 'buyers' and 'suppliers'.

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Key data sources

The main data sources referred to in this document are:

[Scottish Government and Blake Stevenson Ltd \(2022\) Public procurement - views and experiences:](#)

This research included an online survey of 43 third sector organisations, plus interviews and focus groups with representatives of third sector organisations.

[Scottish Government \(2021\) Public procurement survey of suppliers.](#) Survey of suppliers to the public sector in Scotland which received 1,556 responses. 6% of responses (93 responses) were from a ‘charity or voluntary sector organisation or a social enterprise’.

[Social Enterprise Scotland and SCVO \(2023\) Unlocking Procurement Survey:](#) Small scale survey of 40 third sector and social enterprises looking at current procurement processes and recent developments.

See our **Data Sources** section for further sources and information.

1. Third sector procurement – current picture

Importance of procurement and contracts to Scottish voluntary sector

Contract income from the public sector is a significant part of the voluntary sector’s income and accounted for 25% of the sector’s income in 2021, amounting to around £1.8bn:

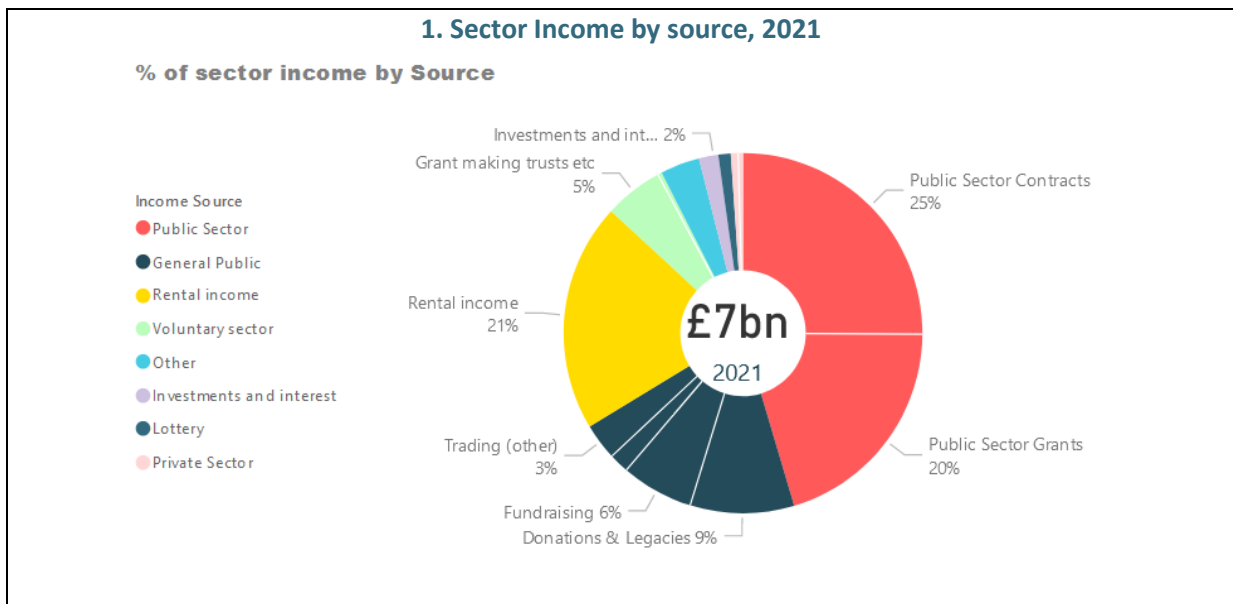


Figure 1 <https://scvo.scot/policy/sector-stats>

Main contracting relationships

The recent [Scottish Government and Blake Stevenson survey](#) found that Local Authorities account for the bulk of procurement spend and make up the majority of contracting relationships, with around 85% of surveyed organisations having contracted with local councils. Around a fifth have contracted with the NHS and Central Government, while a small number contract with Universities and Colleges and Housing Associations.

SCVO estimates that the sector received £1.8bn via public sector contracts in 2021, of which £1.3bn (72%) came from Local Authorities and £271m (15%) from NHS/Health – see Figure 2 below:

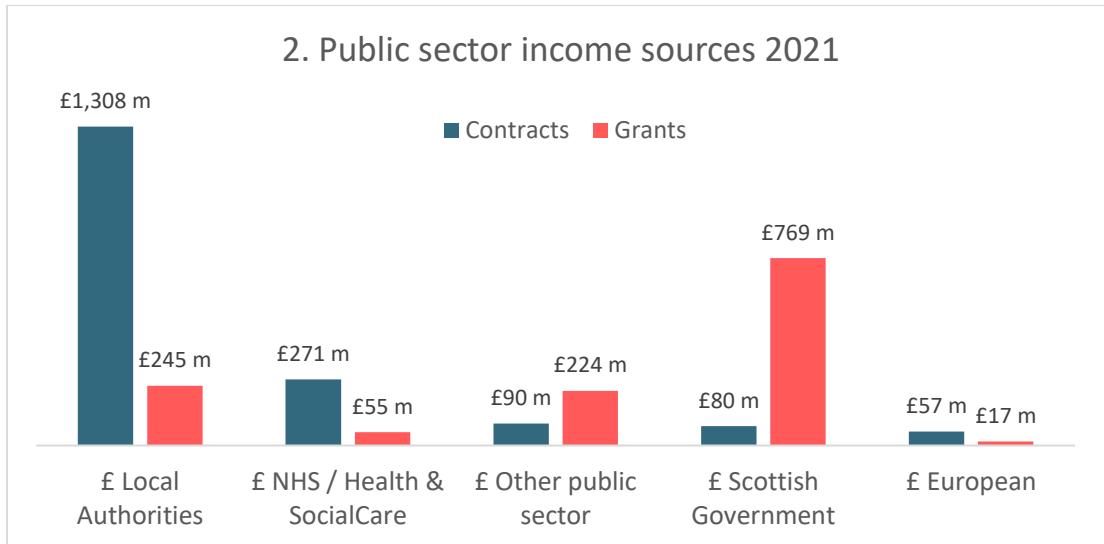


Figure 2 <https://scvo.scot/policy/sector-stats>

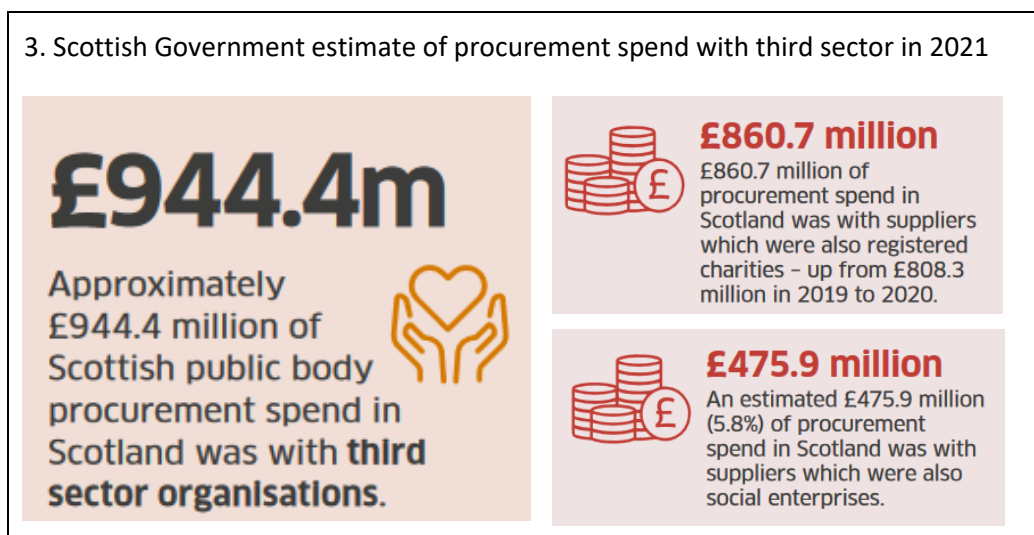


Figure 3 <https://www.gov.scot/publications/annual-report-procurement-activity-scotland-overview-procurement-activity-2020-21/pages/4/>

The [Scottish Government estimates](#) that in the financial year 2020 to 2021, Scottish public body procurement spend in Scotland with third sector organisations – charities and social enterprises – was approximately £944.4 million¹. This equates to around 11% of the total procurement spend in Scotland. The amount of procurement spend with charity suppliers has increased by £52.4m, from £808.3m in 2019/20 to £860.7m in 2020/21. This figure is smaller than SCVO’s estimate of £1.8bn coming to the voluntary sector from public sector sources, reflecting that

¹ The £944.4m estimate is based on data linkage, and not all organisations will have been matched. [The Scottish Government report](#) highlights that “the real level of spend with the third sector is therefore likely to be greater than the figure quoted here”.

not all fees, contracts and service level agreements go down a procurement route, particularly for smaller amounts.

SCVO's own analysis of charity accounts shows that the total value of public sector contracts and other non-grant public sector income has more than doubled since 2007 when contracts were estimated to be worth £756m. We also saw the value of contracts increase by almost £0.5bn between 2018 and 2021 (figure 4 below).

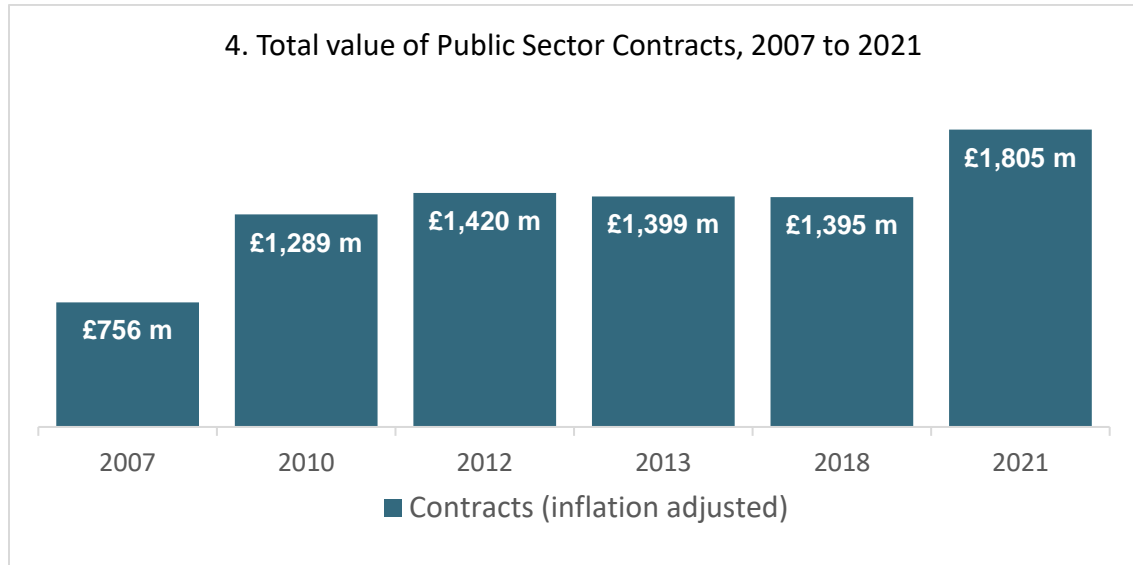


Figure 4 <https://scvo.scot/policy/sector-stats>

Variations by organisation size

In terms of what types of third sector organisations tend to be involved in procurement, we know that the likelihood of an organisation getting at least some of its income from contracts increases with organisation size. Looking at Figure 5 below, we can see that 70% of charities with turnovers of £10m+ get at least some of their income from public sector contracts, and 47% of charities with turnovers of £1m-£10m receive some of their income via contracts. There are very few charities with turnovers below £100k in receipt of contract income, although there are some.

Social enterprises

While many tenders are won by social enterprises, particularly large care providers, the [2021 Social Enterprise Census](#) found that in fact most social enterprises (82%) are not involved in bidding for public contracts. The [2019 Census](#) identified that this was due to issues around capacity, and their services not being a good fit with the types of services that go through the procurement process.

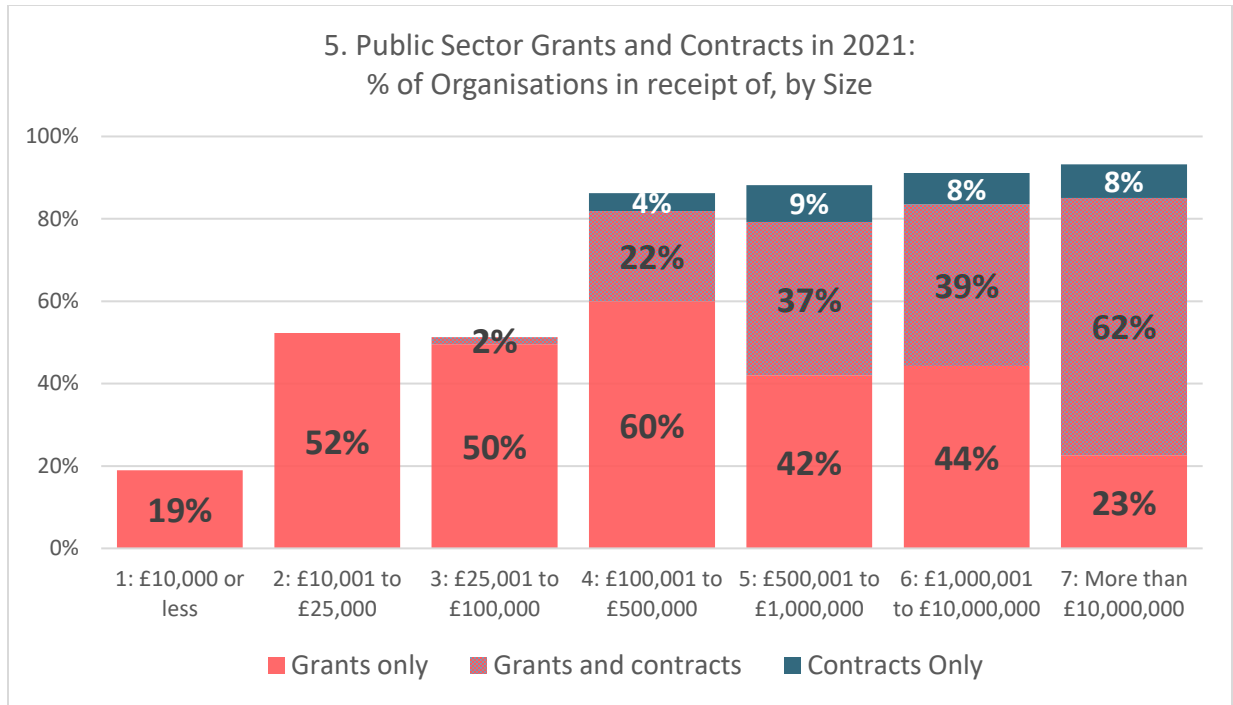


Figure 5 <https://scvo.scot/policy/sector-stats>

Benefits of bidding and contracting

Third sector organisations report that the greatest benefits of public contracts are **security of contracts** and **reliability of payments**, alongside access to funding opportunities that they would not otherwise have. Organisations also noted other benefits, for example that contracts can enable consistency of provision and encourage innovation ([Scottish Government/ Blake Stevenson Ltd, 2022](#)).

“We bid for contracts that align to our strategic aims, and contracts allow us the opportunity to secure income for multi-year programmes.” (Third sector interviewee, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

“It gives sustainability and unrestricted funding for the benefit of our organisation.” (Third sector survey respondent, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

“It helped us to transform services from organisation-centred to person-centred.” (Third sector survey respondent, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

2. Procurement – key legislation and policies

Making contracts accessible to small and medium-sized Enterprises (SMEs) and third sector organisations by reducing barriers and enabling participation is a key part of the Scottish Government's current [Procurement Strategy](#).

Key current policy enablers include:

- [The Procurement Reform \(Scotland\) Act 2014](#) introduced many welcome reforms to make it easier for third sector organisations to be a part of public procurement.

Public sector organisations are now required to report on how they are complying with the new 'sustainable procurement duty'. The [sustainable procurement duty](#) outlined in the Procurement Reform (Scotland) Act 2014, requires that before a contracting authority buys anything, it must think about how it can [improve the social, environmental and economic wellbeing](#) of the area in which it operates, with a particular focus on reducing inequality.

Crucially, the 'sustainable procurement duty' also has a specific requirement to improve access to contracts and [reduce or remove barriers for SMEs and third sector organisation](#).

- [The Public Contracts \(Scotland\) Regulations 2015](#) includes a number of potential enablers, including considering [splitting large contracts into smaller lots](#) to make it easier for smaller organisations to bid.
- [Public procurement strategy: 2023 to 2028](#) a high-level vision for Scottish public procurement which includes enablers around support, engagement and collaboration, and community wealth building.
- [Procurement: SME and third sector action plan 2024-2026](#) sets out actions for the next two years (2024 to 2026) to collaborate, engage and reduce the barriers for SMEs and third sector organisations when engaging with public procurement processes.



3. Is the procurement process improving?

As outlined in the section above a key part of the [The Procurement Reform \(Scotland\) Act 2014](#) and of the Scottish Government’s procurement strategies over the last decade has been around making contracts more accessible to third sector organisations.

So, is the procurement process improving? Yes and no.

The number of organisations winning contracts has stayed static.

In terms of **increasing the numbers** of third sector organisations participating in procurement, there seems to be limited progress. While the total amount of procurement spend with the third sector has risen in recent years it is unclear how much of this increase is with new suppliers and how much simply reflects larger value contracts with existing suppliers. Even within the social enterprise sector – which we might expect to take a lead in this area – the percentage of organisations bidding for, and winning contracts has remained static for a number of years at around 15%-17% (see table below). If we look at what that means in terms of numbers, there seems to even have been a slight drop from just over 1,000 organisations winning contracts in 2019 to just over 900 in 2021. However, it takes time for policies to make an impact on the ground so it may simply be taking some time for numbers to increase.

SOCIAL ENTERPRISES BIDDING AND WINNING CONTRACTS (LAST 12 MONTHS)¹⁵

	2015	2017	2019	2021
Didn't bid for any contract	-	80%	79%	82%
Unsuccessful in bidding for contracts	-	5%	4%	5%
Won a contract as part of a consortium	-	15%	17%	4%
Won a contract bidding alone	-			11%

Source: Social Enterprise Census Survey 2017, 2019 and 2021

Note: Multiple responses possible, does not add to 100%

Figure 6 <https://socialenterprisecensus.org.uk/wp-content/themes/census19/pdf/2021-report.pdf>

Support and communication is improving, but room for more improvement.

In terms of **making it easier for the sector to engage in the procurement**, feedback suggests there have been many positive and welcome steps taken by the public sector, but space for improvement remains.

- The 2023 review of ‘Scotland’s journey of achieving sustainable procurement outcomes (2002-2022)’ highlights various areas of innovation and improvement, reporting “an ethos of enabling

collaboration and engagement” and “real commitment and desire throughout local and national government to encompass community benefits and sustainable outcomes through public procurement activity.” ([Scottish Government and Harkins Research, 2023](#))

- Improvement was also highlighted in a recent survey of suppliers: “The survey findings indicate that there is much to be positive about in respect of Scottish public sector procurement and the recent work done to improve it. At the same time, however, there are clearly areas in which the Scottish public sector could do more to maximise the impact of public procurement” ([Scottish Government - Public procurement survey of suppliers, 2021](#))
- **However, only 14% of respondents to a recent third sector survey felt that the procurement process has improved.** ([Social Enterprise Scotland and SCVO, 2023](#)) – see top bar in figure 7 below:

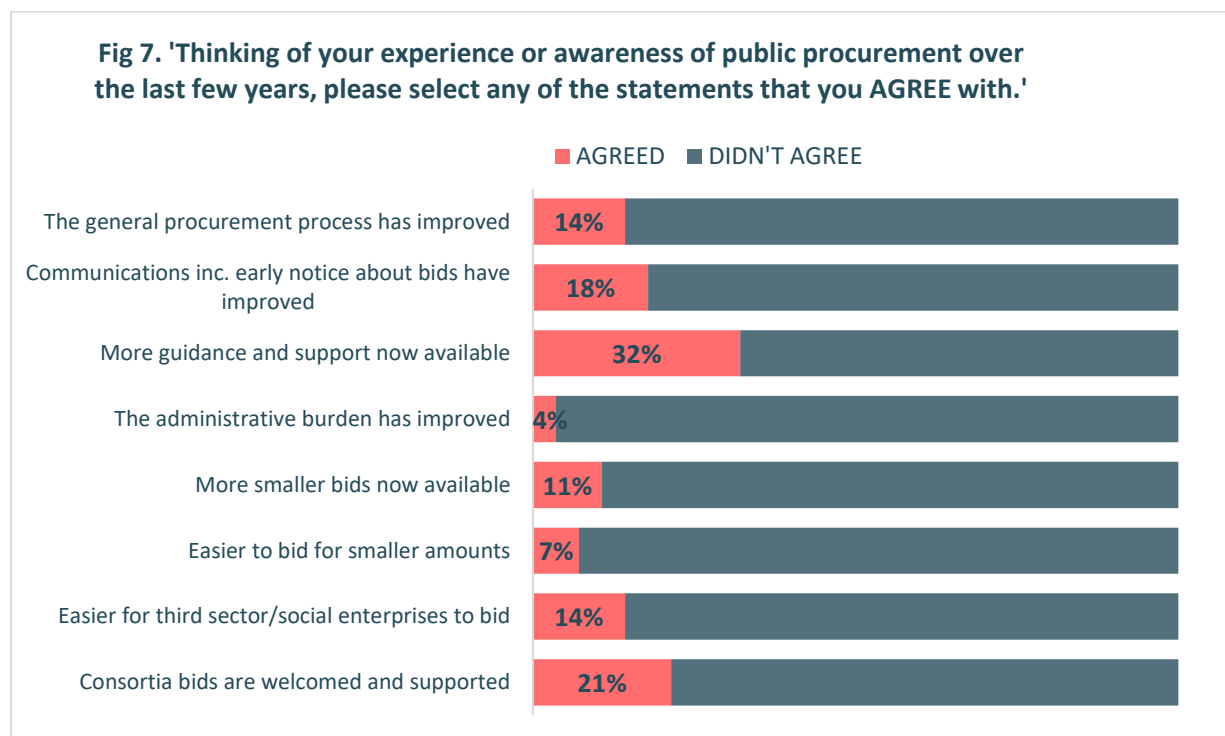


Figure 7 <https://socialenterprise.scot/resources/procurement-reform/>

Areas of improvement identified in the [Social Enterprise Scotland and SCVO survey](#):

- 32% of respondents agreed that more guidance and support is now available.
- 21% agreed that consortia bids are now welcomed and supported.
- 18% agreed that communications, including earlier notice about bids have improved.

However, that leaves a lot of people who do not agree that those areas have improved. In most other areas the numbers of people agreeing that things had improved were very low:

- Only 14% of respondents felt that the general procurement process has improved.
 - Only 14% felt that it was now easier for third sector/social enterprise to bid.
 - Only **two** organisations agreed that it was easier to bid for smaller amounts.
 - And only **one** respondent felt that the administrative burden has improved.
- Respondents to the [Scottish Government’s Public procurement survey of suppliers \(2021\)](#) were more positive in their assessment, with 26% agreeing or strongly agreeing that public procurement delivery has improved, and only 16% disagreeing – see top bar in figure 8 below. The same survey also found that over a quarter (27%) did not think procurement had become simpler. It is also important to bear in mind that only 7% of respondents to this survey were from a ‘charity or voluntary sector organisation or a social enterprise’.

Fig 8. Since 2016, to what extent do you believe that Scottish public procurement delivery... (n = 1,538)

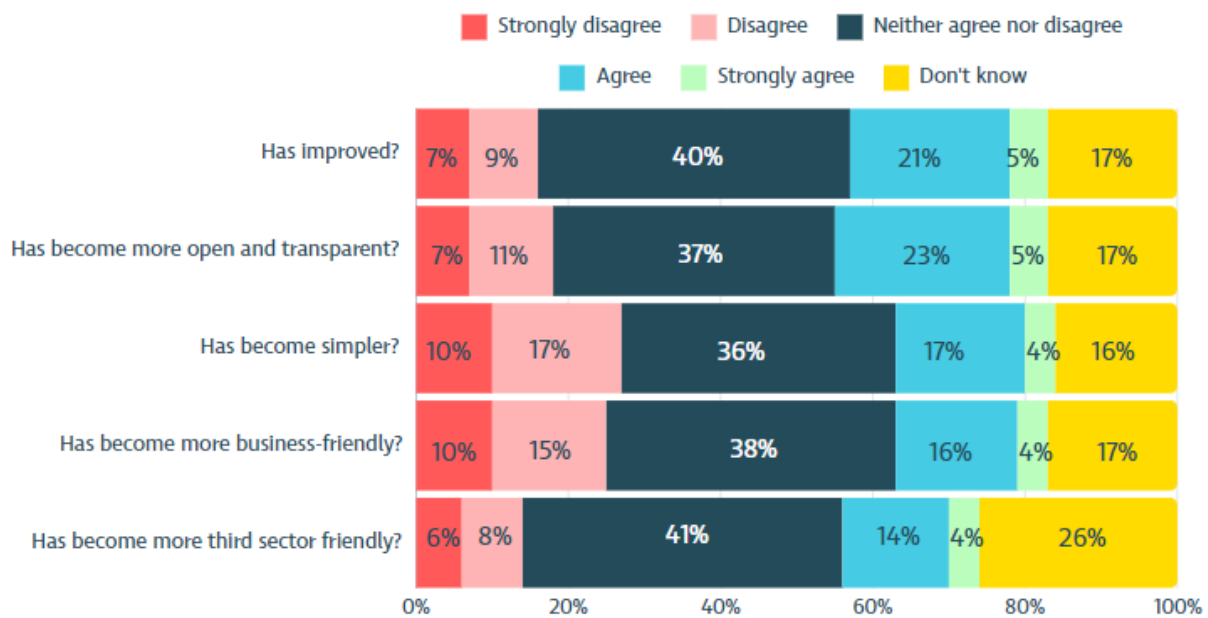


Figure 8 based on <https://www.gov.scot/publications/public-procurement-survey-suppliers-2020/documents/>

4. Barriers and challenges for voluntary sector

A number of challenges and barriers to engaging fully with public sector procurement are regularly cited by voluntary sector organisations. These challenges fall under three broad categories:

- Key barriers to starting to engage with procurement:
 - Complexity of procurement processes
 - Lack of capacity
 - Identifying suitable contracts
 - Procurement not designed for smaller, specialist organisations
 - Disproportionate requirements
 - Timescales
 - Inconsistent use of lotting to create smaller lots
 - Consortium bidding
 - Low contract values

- Challenges for organisations once they are engaging with the procurement process:
 - Inflationary uplifts not paid
 - Withdrawals from contracts due to unsustainably low rates
 - Late confirmation of funding and stop/start funding
 - Short-term contracts
 - Competition versus collaboration

- Issues relating to the wider procurement system:
 - Risk-averse procurement culture
 - Disconnect between policy and practice
 - Current system not person-centred
 - Current system too focussed on price

4.1 Key barriers to starting to engage with procurement

The graph below highlights some barriers identified by third sector respondents to [Blake Stevenson's 2022 research](#) looking into experiences of public procurement, with complexity and capacity issues identified as key barriers.

We will explore these barriers and issues identified in other sector surveys in the following section.

Fig 12. What, if anything, has made it difficult for your organisation to bid for Scottish public sector contracts? (n=31)



Figure 9 <https://www.gov.scot/publications/research-third-sector-organisations-new-businesses-views-experiences-scottish-public-procurement/>

Complexity of procurement processes

The complexity of the procurement process is consistently cited as a key barrier for third sector organisations. A recent [Scottish Government survey](#) found that:

- **82% of respondents indicated that the process of bidding for Scottish public sector contracts was difficult or very difficult**
- Only six (18%) described the process as easy or very easy.

- **61% of survey respondents highlighted the complexity of the bidding process as a key barrier to bidding for public sector contracts in Scotland.**

“There were strong indications from suppliers that the tendering process could be better-streamlined and simplified, with many suppliers indicating that the system is still overly-complex and that the process is somewhat burdensome.” ([Scottish Government - Public procurement survey of suppliers, 2021](#))

63% of respondents ‘sometimes’ or ‘always/often’ find it difficult to understand questions in tender documents. ([Scottish Government - Public procurement survey of suppliers, 2021](#))

“The level of complexity is a major issue – both the myth and the reality of that!” (Stakeholder, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

“bids are designed for the organisation and not the bidder or recipient.” (Third sector survey respondent, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

Lack of capacity

81% of respondents highlighted a **lack of capacity and time** as a key barrier to bidding. This was particularly the case for small third sector organisations. ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

Lack of capacity to start the journey

Just knowing where to begin is a stumbling block for many organisations. Resources and staff time need to be invested at an early stage if organisations want to know more about procurement and access support, and with no guarantee of a return on this investment many organisations are reluctant to embark on the journey.

“Organisations described the significant time investment required to get up to speed with the procurement process at the outset.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Don't know how to access the opportunities or if they would be a fit for us, alongside being a micro SME with limited time and resources.” (Respondent, [SES and SCVO survey, 2023](#))

“We do not know what is required... so we cannot really prepare, we cannot get the staff and infrastructure in place as we do not know if we would be successful. So it is an area we would like to look into... but it would take investment to get us there. As a community owned and run organisation and building we would love to be able to work commercially to be able to become more self sustainable.” (Respondent, [SES and SCVO survey, 2023](#))

Lack of capacity to put together bids and tender

Due to the complexity of the procurement process many third sector organisations lack the time and staff capacity to prepare and submit bids:

“As a small charity we have limited ability to compete, we have a tiny resource for putting together bids and a tender takes so much time.” (Third sector respondent, [SCVO Tracker Wave 4](#))

“The amount of time, energy and cost required to prepare and submit tenders, along with the emotional and practical pressure, means the loss of around 3-6 months' of focused work while the process is completed. This can't be effective!” (Third sector respondent, [SCVO Tracker Wave 4](#))

Identifying suitable contracts

Basic navigation of the procurement system and identifying available and suitable contracts can be an issue particularly for smaller organisations:

- **61% of SMEs and third sector organisations reported experiencing difficulties identifying available public sector contracts ‘sometimes’ or ‘always/often, compared to 42% of large businesses** ([Scottish Government - Public procurement survey of suppliers, 2021](#))

Suppliers noted that their lack of awareness of any opportunities did not necessarily mean that these opportunities did not exist – rather, that it was simply a case of finding the opportunities, and issues with the way opportunities are advertised and classified on procurement portals:

“No suitable tender opportunities were brought to my notice. This may in part be due to the way opportunities are classified. The system seems to find it difficult to classify tenders in my area of work [which is] natural and cultural heritage [and] museums.” (Respondent, [Scottish Government - Public procurement survey of suppliers, 2021](#))

Identifying opportunities on Public Contracts Scotland (PCS)

While in theory the [Public Contracts Scotland portal](#) and [PCS-Tender](#) allow suppliers to search for suitable contracts, many third sector organisations have spoken of the difficulties of using these systems, and they have been described variously as “cumbersome”, “frightening for new organisations” and “confusing”. ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

Mismatch between the requirements of the public sector and what the sector offers

The [2021 Social Enterprise Census](#) found that most social enterprises (82%) are not involved in bidding for public contracts. The [2019 Social Enterprise Census](#) report explored this issue and identified two main reasons for not submitting tenders - 56% cited insufficient capacity and experience to deliver on public contract requirements as highlighted above, but 41% also reported a mismatch between the requirements of the public sector and the things that social enterprises provide.

Procurement not designed for smaller, specialist organisations

SME businesses [accounted for over half of all procurement spend in Scotland, and for 95% of suppliers](#) in 2022. However, the perception and people's reported experience is that the procurement system is designed in a way that favours large corporate businesses.

Even where the third sector has been successful, the system seems to favour larger organisations. For example, the [2021 Social Enterprise Census](#) shows that larger social enterprises (turnover >£500k) are more successful in public tendering than smaller organisations.

"Respondents' perceptions are that public procurement was designed for large corporate organisations that have the manpower to develop and submit bids, and that the public sector does not see the third sector as having the capacity to deliver large contracts". ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

"bidding for public contracts can favour private sector or large third sector organisations over smaller third sector organisations, due to smaller organisations not having sufficient resources to bid for contracts." ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

"[Procurement] is often done at a scale that makes it easy for the public body to manage, rather than right for the community to receive." (Third sector interviewee, [Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

"There is a lack of understanding of the burden of procurement processes on smaller organisations, and too little value placed on local knowledge and relationships". ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

Disproportionate requirements

Some of the terms and conditions of contracts were seen to be unnecessarily onerous and often disproportionate for smaller contracts, including requirements around: insurance levels, accreditation levels, turnover requirements, IT requirements, financial and VAT requirements, disproportionate community benefit clauses. It is important that the requirements of tender processes are proportionate and take account of the size and nature of organisations bidding for the contract. ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

"Public sector suppliers are asked to commit to Fair Work First principles, that include no inappropriate use of zero-hour contracts and payment of Real Living Wage, however some third sector organisations are not able to do this while also keeping costs low enough to be able to compete with large multi-national private sector companies." ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

"The requirements, even with PCS tender where you have often filled much of the stuff in before, tend to be ridiculously onerous for small organisations." (Supplier, [Scottish Government - Public procurement survey of suppliers, 2021](#))

“Outcomes based funding should apply to all delivery agents rather than imposing crippling regulatory burdens on tiny contracts which are not mirrored by checks of public sector delivery processes.” (Third sector respondent, [SCVO Tracker Wave 4](#))

Timescales

- **61% ‘sometimes’ or ‘always/often’ have difficulties with the timescales for preparing a bid** ([Scottish Government - Public procurement survey of suppliers, 2021](#))

Competitive tendering processes can be long, complex and require a lot of resources:

“One third sector interviewee said, if a public body such as local authority wishes to procure a service from a local third sector organisation, and if the service is complex, it can sometimes take up to six months to complete the process.” ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

“The amount of resource and time it takes to prepare and submit the bids is extraordinary and way beyond other sources of funding”. (Respondent, [SES and SCVO survey, 2023](#))

The additional time required to bring together consortiums and submit **consortium bids** was also highlighted by numerous respondents.

Inconsistent use of lotting

In the [Scottish Government’s Public procurement survey of suppliers \(2021\)](#), 38% of respondents agreed that contracts are divided into smaller lots in order to facilitate SME/third sector access where it is possible to do so, while 14% disagreed (the rest were neutral or didn’t know).

However, only 7% of respondents to a recent [Social Enterprise Scotland and SCVO survey \(2023\)](#) thought that there were more smaller bids now available.

The general feeling is that while there is more lotting happening now, it is still not happening enough or done consistently:

“Many research participants reported that lotting was not yet happening enough, although there was recognition that there is now more lotting of contracts than previously. A significant number of research participants noted that the large scale of contracts and the insufficient use of lotting continued to be a barrier to their engagement with public procurement. This was particularly the case for smaller companies or third sector organisations that may be able to fulfil one but not all elements of a contract.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“We were able to deliver parts of the contract but not all of them and as the contract was not broken down into lots, we were unable to bid. This is lazy procurement – they did it in this way because it would be easier to manage.” (Third sector interviewee, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

Consortium bidding

Only 19% of respondents to the [Scottish Government's Public procurement survey of suppliers \(2021\)](#) thought that joint bidding among SMEs and third sector bodies is encouraged, while 14% did not think it was encouraged (the remaining two-third of respondents were neutral or didn't know).

21% of respondents to a recent [Social Enterprise Scotland and SCVO survey \(2023\)](#) thought that consortia bids are now welcomed and supported while this is moving in the right direction it suggests that this is still a barrier for many.

While consortium bidding in theory makes it easier for small organisations bid for large contracts, putting together a tender with multiple contractors has its own complexities particularly in terms of **administration and increased time requirements**, and there is still feeling in the sector that the current system encourages **competition over collaboration**.

“Procurement is often done at scale to so commissioners can reduce the number of primary contracts they need to manage. These larger contracts often result in rapidly pulled together partnerships, inappropriate subcontractor arrangements and an advantage for larger organisations. Indeed, the Review Group discussed instances where organisations had bid for work, not been successful and then been asked by the winning bidder to deliver some of the work.” ([GCVS, 2021](#))

Low contract values

A consistent concern across reports and interviews with voluntary sector organisations is that many contracts are not paid at an adequate rate that covers full costs and at rates that do not make the long time spent preparing each bid worthwhile. There were also concerns that low contract rates would mean staff would not be paid fair wages, particularly in the social care sector:

“Low contract values were frequently cited as a barrier to engagement in public procurement – in two respects. Firstly, organisations observed that if contract values were too low, they often spent a disproportionate amount of time in preparing bids which meant it was not financially worthwhile to bid. Secondly, a number of organisations raised concerns about the hourly rates that buyers were prepared to pay for specialist services. [...] This was raised as a particular issue in relation to social care, where local authorities have a single hourly rate that is often too low to be attractive to companies and organisations to bid for. Some interviewees reported that payment rates are leading to market failure in some areas with insufficient numbers of care providers bidding to deliver contracts and services not being offered.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Our local area has realised [that paying rates that are too low is resulting in too few care providers in our area] – they are going through a transformation process just now, shifting from paying by hours and minutes and moving towards more personalisation and better quality.” (Interviewee, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

“low pay in the sector is a symptom of wider structural problems arising from the commissioning system for social care itself.” ([Audit Scotland, 2022](#))

4.2 Challenges for organisations once they are engaging with the procurement process

Organisations that have managed to successfully navigate their way around the procurement system and have seen their efforts in submitting a tender rewarded by winning a contract still report several challenges once their foot is in the procurement door.

Inflationary uplifts not paid

Inadequate – or non-existent – inflationary uplifts are still a major area of concern for many organisations, particularly when it comes to paying staff fair wages. There was also concern about the lack of consistent mechanisms to negotiate uplifts.

Sample comments:

“The lack of inflationary increase to our funding is the most unfair aspect of our current arrangements, we effectively suffer a cut in funding year on year.” (Respondent, [SCVO Tracker, Wave 4](#))

“Standstill funding over five years, as we have, is in effect a reduction in funding over this period.” (Respondent, [SCVO Tracker, Wave 4](#))

“No cost of living uplift from Edinburgh for 13 years. On a £170k contract, that equates to a loss of 27% in real terms.” (Interviewee, SCVO Organisational Profiles, 2022)

“Contract values are fixed and there is no mechanism to negotiate uplifts.” (Interviewee, SCVO Organisational Profiles, 2022)

Withdrawals from contracts due to unsustainably low rates

More than half (55%) of social care providers responding to [CCPS’s Business Resilience Survey](#) reported abstaining or withdrawing from a procurement process or contract during the past year. In 2019 CCPS commissioned the report ‘[Handing Back Contracts: Exploring the rising trend in third sector provider withdrawal from the social care market](#)’. Findings from that report include:

- The majority of organisations reported withdrawing from more than one contract. The majority of these related to care at home services.
- The financial viability of individual contracts and the implications of persistent deficits on the overall financial wellbeing of provider organisations, especially the draining of reserves, was often seen as the key reason behind management’s decision to withdraw.
- Failure by the social care system to adequately fund the Scottish Living Wage was highlighted as an important factor for organisations falling into deficit, and draining their reserves.
- The quality of services provided was another key consideration in withdrawing from service provision.

[NCVO research](#) carried out in 2023 has found a similar picture in the wider UK of charities planning to withdraw from providing much needed services:

“31% said they decided not to bid for a new grant or contract or are considering not bidding. 26% have decided not to retender for services they currently deliver or are considering not retendering. 12% have handed back a grant or contract before it finished, or are considering doing so.” ([NCVO, 2023](#))

Precariousness of funding

Despite security being one of the cited benefits of procurement, there are a number of third sector organisations who rely heavily on a single contract, which opens them up to risk:

“Some are in a precarious situation where the public sector is their only contractor and could change supplier.” (Stakeholder, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

Late confirmation of funding and stop/start funding

Third sector organisations feel ‘at the mercy’ of funders who do not understand the implications of their actions (e.g., late decisions on continuation funding) or changing priorities at the delivery level.

Third sector organisations reported that funder decisions/lack of decisions resulted in:

- Leaving funding gaps.
- Third sector having to fill funding gaps from reserves or ‘close down’ services.
- Issues over sustaining employment /retaining skilled staff ([SCVO Organisational Profiles, 2022](#))

“Still (Aug) waiting for confirmation and contract for this FY. Life is hard enough for charities without having to deal with slow and inefficient public bodies.” ([SCVO Tracker Wave 4](#))

Payments in arrears

Payments made in arrears were also highlighted as a challenge by some, particularly smaller organisations which often do not have the cash flow levels required to cover any delays in payments.

“The way in what payments are made in arrears by public sector bodies, local and national is dreadful.” (Third sector respondent, [SCVO Tracker Wave 4](#))

“Some contracts continue to pay out on the basis of concrete outputs delivered, and do not tend to make upfront payments to cover costs until the first outputs are delivered. A number of third sector research participants highlighted the challenges with cashflow that result from this.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

Short-term contracts

Voluntary organisations need longer-term funding models to provide security, plan effectively, and retain and develop staff. The time and resources that go towards annual funding cycles leads to vital

capacity being wasted every year and create a number of staffing challenges (see [SCVO Fair Funding](#)). However, short-termism, short-term contracts and rolling contracts are still a challenge for many:

“People spoke to us about ‘short-termism’ resulting in providers spending significant time and resources applying and reapplying for contracts. This results in uncertainty for providers and the workforce, which makes it difficult to attract and retain staff. Providers cannot afford to have staff ‘waiting in the wings for contracts to come along’.” ([Scottish Government Independent review of adult social care, 2021](#))

“The often short duration of public contracts created challenges in relation to organisations’ financial sustainability. Continually having to bid for short-term contracts makes it very challenging for organisations to project what their future income will be.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Longer contracting periods, with no requirement for competitive tendering unless there are concerns about the current provider that can't be addressed successfully through contract management, would offer significant security in terms of both staffing and people being supported.” (Respondent, [SCVO Tracker Wave 4](#))

“Short-term project contracts also do not aid the recruitment issues within the sector.” (Respondent, [SCVO Tracker Wave 4](#))

“The biggest issue for us is the 1 year rolling contract” (Respondent, [SCVO Tracker Wave 4](#))

Competition versus Collaboration

Feedback from a number of sources suggests that the current system often encourages competition rather than collaboration, often due to a disproportionate focus on price rather than outcomes. This links closely with the [inconsistent use of lotting](#), and the challenges around [consortiums and joint bidding](#) outlined in the ‘Barriers to starting to engage with procurement section’ above.

“At the moment, third sector organisations frequently find themselves in competition for the same procurement contracts rather than working collaboratively with each other to achieve common goals” ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

“Cultural differences between partner organisations are a barrier to collaborative working. [...] Commissioning tends to focus on cost rather than quality or outcomes. Current commissioning and procurement procedures have led to competition between providers at the expense of collaboration and quality.” ([Audit Scotland, 2022](#))

“some third and local government stakeholders expressed frustrations with the current procurement approach, saying that it could be improved to facilitate more collaborative working. They were critical of situations where competitive tendering processes were viewed to have adopted a disproportionate focus on price in comparison to other value considerations.” ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

“We heard that the market approach to commissioning and procurement produces ‘competition, not collaboration’, which, in turn, leads to too much focus on costs rather than high quality, person-centred

care and support. We were repeatedly told that this focus on costs causes poor terms and conditions, including pay, for the workforce.” ([Scottish Government Independent review of adult social care, 2021](#))

Cumulative cost of competition

As well as the cost to each individual organisation, the process of competitive tendering has a huge cumulative cost for all organisations involved:

“If you have ten [third sector organisations] applying for a tender, they all put in three or four days [of work], which is an underestimate to begin with, [overall] you have 30-40 working days put into [applying for a tender] that somebody somewhere is funding, but only one of them is potentially going to get the contract. It’s just shifting the cost, it’s not better value. It means that [funds are taken out] of direct service delivery or public donations or fundraising efforts [are used] to fund [applications for a tender]. There’s never been any acknowledgement that I have seen that that’s what happens, so I think public sector procurement, doesn’t actually save the public purse any money, just shifts where the costs of that are felt.” (Third sector interviewee, [Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

4.3 Issues relating to the wider procurement system

As well as the practical barriers and challenges for the third sector outlined above, there are also some more ‘systemic’ challenges that relate to broader procurement culture and processes.

Risk-averse procurement culture

“There was a strong feeling that the assessment processes are currently driven by a fear of breaching procurement rules, resulting in a risk-averse approach to decision-making” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“A few research participants felt that individuals within public bodies’ procurement teams were trying to improve things but that legal teams block actions and change due to a highly risk-averse culture and concerns about litigation (if people feel a procurement process has been unfair), leading to over-caution about process and language.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

Risk moved from commissioners to suppliers

There was also a perception that the current system moves risk from commissioners to suppliers:

“Critically, there is also a perception of an unfair transfer of the financial risk – a particular challenge for small organisations.” ([GCVS, 2021](#))

This also has the knock-on effect of risk and uncertainty being passed on to employees and insecure contracts: “Employers pass this risk on to staff by giving them contracts that maximise employer flexibility (zero-hours, low- hours, and sessional contracts)” ([Audit Scotland, 2022](#))

Disconnect between policy and practice

A recurring theme from reports and interviews is that policy and strategies around procurement are now very supportive of the voluntary sector, but that legislation and good practice are not always translating ‘on the ground’ or at local level:

“A big, general policy issue, that particularly applies to procurement, is policy implementation on the ground in local communities. Often good, clear, evidence-based legislation exists (like the Procurement Reform Act) but is not always being actioned at a local level. The rhetoric and legal instruments are not translating into real life practice e.g. reserved contracts legislation not being used.” (SES Unlocking procurement for social enterprises, 2023)

“The procurement policy team in Scottish Government are doing everything they can to make improvements but it has to trickle down to implementation of changes at local level. We need to make bigger strides.” (Stakeholder, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Many people told us that Scotland has ‘good strategies but poor implementation’. This ‘implementation gap’ was often referred to in terms of the differences between what is set out in legislation and guidance and what actually happens on the ground. We were also told about places and local teams that are good at follow-through from intention to service delivery, but with a sense that where that was people’s experience it was partly because they were ‘lucky’” ([Scottish Government Independent review of adult social care, 2021](#))

“We really need multi year funding as a priority from Scottish Government. Rhetoric is strong on this but the reality is somewhat different.” (Third sector respondent, SCVO Tracker Wave 4)

Current system not focused on outcomes

Social Enterprise Scotland (2023) suggest that part of the reason for the disconnect between policy and practice is “around a lack of monitoring and evaluation and any ensuing accountability/ penalties”. Both FSB Scotland (2019) and CCPS (2023) also suggest that monitoring should be improved, with greater focus on outcomes.

A number of reports and survey respondents highlight the lack of focus on outcomes, particularly person-centred outcomes and approaches:

“Many research participants felt that the tender assessment processes they had experienced to date did not always result in the best provider being selected, or in the best outcomes for individuals (in the case of service contracts).” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“The Review Group found that traditional procurement is not always achieving the best outcomes for the city. An approach that works for capital projects or buying computers, is not necessarily appropriate

for the provision of services for people. We believe that good procurement should be about getting better services, not cheaper services.” ([GCVS, 2021](#))

“The Procurement process is still too heavily focused on process rather than partnering for best outcomes, where cost is not king and best value for money (long term) must be considered” (Respondent, [SES and SCVO survey, 2023](#))

Current system not person-centred

Linked to the perception that the current procurement system is not outcomes focused enough is the perception that the current system should be more person-centred:

“our current system too often does not feel like a system at all: it feels like a guddle, and that causes people worry and anxiety. For people with care and support needs and their families the challenges of accessing support, only to find they are unavailable or unaffordable, or those seeking support are ineligible, causes unnecessary suffering and hardship” ([Scottish Government Independent review of adult social care, 2021](#))

“Contracts [are] not written in ways to suit person-centred services for citizens, carers and communities.” (Third sector survey respondent, [Scottish Government/ Blake Stevenson Ltd, 2022](#))

“A preventative, person-centred approach, as set out by Christie ten years ago, is key for improving outcomes and reducing inequalities. However, we repeatedly reported in our Christie: 10-years on blog that this is not being achieved consistently or at scale. Christie stated that one of the major barriers to preventative action was the extent to which resources are currently tied up in dealing with short-term problems. The report warned that without a shift to preventative action, increasing demand would swamp public services’ capacity to achieve outcomes.” ([Audit Scotland, 2022](#))

Current system too focused on price

“If the commissioning and procurement model is to be maintained, there is a need for the introduction of more ethical commissioning models that take into account factors beyond price, including fair work, terms and conditions and trade union recognition.” ([Scottish Government Independent review of adult social care, 2021](#))

33% of respondents to the [Scottish Government’s Public procurement survey of suppliers \(2021\)](#) did not think that Scottish public procurement focuses on achieving value for money rather than driving down costs – only 28% thought that it does.

“We want to see an end to this emphasis on price and competition and to see the establishment of a more collaborative, participative and ethical commissioning framework for adult social care services and supports, squarely focused on achieving better outcomes for people using these services” ([Scottish Government Independent review of adult social care, 2021](#))

5. Enablers

In the sections above we outlined some of the key barriers that make it difficult for many third sector organisations to engage with procurement. Many barriers relate to the complexity of tendering and the lack of capacity and knowledge in many organisations.

There are many enablers that would help build capacity and skills in the sector and help make large contracts more accessible to smaller organisations. Many of the enablers highlighted below are already in place either in legislation or good practice guidance, and sit under the following broad areas:

- Simple, consistent tendering processes with proportionate terms and conditions
- Capacity building and tailored training and advice for third sector
- Strong collaborative relationships between buyers and suppliers

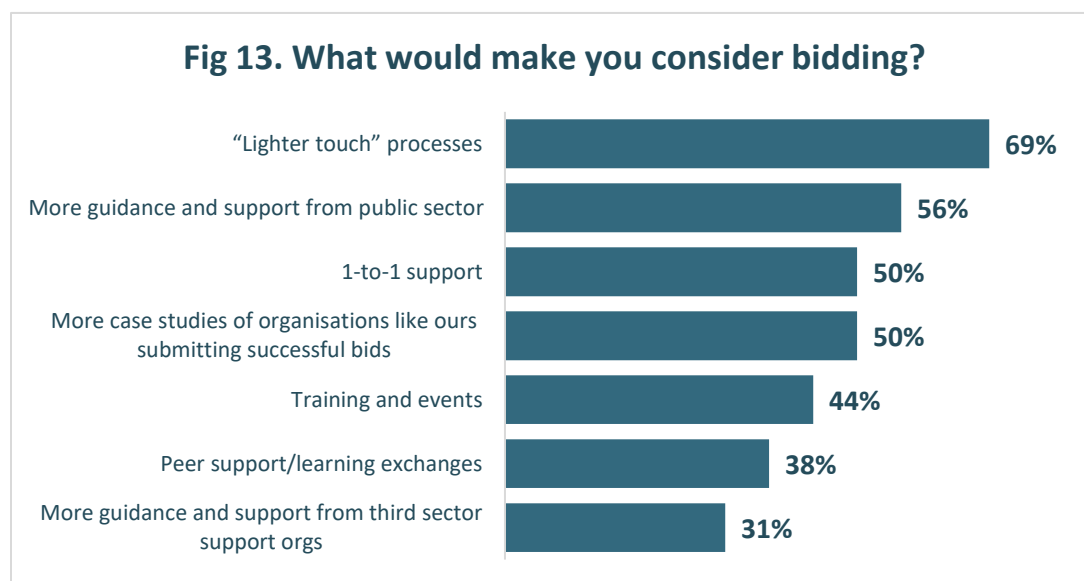


Figure 103 [Social Enterprise Scotland and SCVO,2023](#))

5.1 Simple, consistent tendering processes with proportionate terms and conditions

Reports highlight that improvements have been made to the bidding process, and many commissioners are trying to be more flexible and proportionate within what can often be a fairly rigid system.

Public Contracts Scotland portal

Public Contracts Scotland (PCS) is the national portal enabling suppliers to browse for, register an interest in, and bid for Scottish public sector contracts.

- Most third sector suppliers are familiar with Public Contracts Scotland and/or Public Contracts Scotland – Tender.
- However, “across the board, participants who were familiar with these systems stressed the difficulties of using them”. ([Scottish Government/ Blake Stevenson Ltd, 2022](#))
- 10% of respondents to the [Scottish Government/ Blake Stevenson Ltd, 2022](#) survey reported not knowing where to find bidding opportunities, and 26% reported having had difficulties accessing tender documents on the PCS portal.
- Among those who do not regularly bid for contracts there was also a lack of clarity regarding where to look for public sector contracts, suggesting that awareness of the PCS portal is not as high as it could be.
- There were suggestions that improvement could still be made to the PCS system, ideally in collaboration with third sector organisations:

“The PCS system is not the most intuitive to us, perhaps an overhaul of the system itself involving a cross section of organisations for input into this in a practical way.” (Respondent, [Social Enterprise Scotland and SCVO, 2023](#))

Quick Quotes

One of the ways in which the public sector has sought to make public procurement processes more streamlined is through the introduction of the Quick Quote process, through which a limited number of organisations are invited to tender for a contract.

- Over half of the respondents to the [Scottish Government/ Blake Stevenson Ltd, 2022](#) survey had been invited to tender through a Quick Quote process.
- Twelve respondents (63%) had found the Quick Quote process easier, and seven (37%) organisations had found the process about the same as the open tender process. No one had found it more difficult.

Framework agreements

Frameworks can help establish longer-term relationships between suppliers and buyers, and - once accepted on the framework - the requirements of which are less onerous than bidding for individual contracts. Framework agreements were viewed as having potential value for third sector organisations. However, they can be very time-consuming to get on to, with no guarantee of success:

“Despite putting in a significant amount of time and effort to bid to be on a framework in the first place, a few that had been successful reported that they had not been awarded any contracts through them.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“we can’t apply to get on the Framework, because the products and services we offer are bundled in with other things we don’t do. The way lots are divided does not reflect the way our industry works; but happens to reflect the offer of a small number of companies who have been on the Framework for a very long time.”(Respondent, [Social Enterprise Scotland and SCVO,2023](#))

More consistent use of portals and processes

A minor theme across a number of research reports was around the lack of consistency within the existing processes, particularly in the way that different Local Authorities use the systems:

“we see many tenders placed by Local Authorities where the requirements of the service is similar but the approach to the use of PCS/Public Contracts Scotland are totally different. Why so? This variability in the use of these portals drives inefficiency and, at times, confusion.” (Respondent, [Social Enterprise Scotland and SCVO, 2023](#))

More flexible systems and thresholds

Feedback suggests that many commissioners are now trying to be more flexible within the confines of an often quite rigid system. CCPS note that some local authorities are becoming more flexible and creative and gave positive examples of the impact of a more Light Touch regime and greater flexibility in terms of contract lengths and retendering. (CCPS interview, 2023). However, there is always room for more progress:

“The Scottish Government states commissioners could be more flexible in how they procure care and support services, but that it is not being fully used by commissioners” ([Audit Scotland, 2022](#))

“commissioning using generic frameworks based on hourly rates does not work well for people with fluctuating needs for support, particularly where those relate to mental health.” ([Scottish Government Independent review of adult social care, 2021](#))

“A ‘sliding scale’ proportionate approach, where bidders would have to provide more or less information, based on the size of the contract was also suggested.” ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

“Currently, procurement contracts that are below the threshold of £50,000 (for goods and services) are unregulated and are not subject to the requirements of the Procurement Reform (Scotland) Act 2014. However, this threshold was seen as too low by some interviewees and can sometimes lead to the public sector procuring smaller contracts from third sector organisations, in order to avoid going over the threshold.” ([Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

Assessment criteria and process

Many voluntary organisations feel that the current system does not adequately value local knowledge or partnership working, and suggest that assessment criteria should score things like this more highly:

“interviewees felt that partnership working was not incentivised enough in the assessment criteria, with some feeling that this is a result of it being easier for a local authority to work with one large organisation” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Many research participants raised concerns about the lack of emphasis placed on local knowledge and experience within scoring processes and felt that this was undervalued and should be far more heavily-weighted relative to other criteria.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Application processes in which the assessors are trained to look at the whole big picture to assess the worth the application instead of a box ticking exercise in which the applicant can be deemed ineligible or unsuitable for funding on a technicality.” (Third sector respondent, [SCVO Tracker Wave 4](#))

Improvements to monitoring and reporting by public bodies

Under [the Procurement Reform \(Scotland\) Act 2014](#) public bodies with an annual procurement spend of £5 million are obliged to prepare or revise a procurement strategy and must also publish an annual procurement report. The [template proposed by Scottish Government](#) includes a number of indicators relating to the third sector eg “how many of these unique suppliers are Third sector bodies” and “Total Value of contracts sub-contracted to Social Enterprises”. However, a random sample of local authority procurement reports has shown that very few publish any third sector related data. This may simply be due to a lag between the template being implemented at local level, but may also suggest that there is a lack of data being collected on third sector suppliers.

The recent review of the 2014 Procurement Act the Committee addresses this point, and asks that the Scottish Government evaluate procurement annual reports:

“The responsibility placed on contracting bodies to report annually on their procurement activities is welcome. The Committee is of the view that it would be helpful for reports to provide more detail on the value of contracts awarded and how that value is broken down in terms of awards to smaller businesses and the third sector.” ([Scottish Parliament 2024](#))

5.2 Capacity building and tailored training and advice for third sector

A range of sources of training, support and advice on tendering for Scottish public sector contracts exists and is valued by those who access it. However, take-up can be limited:

Of the 1,552 respondents to the [Scottish Government’s Public procurement survey of suppliers \(2021\)](#) less than a third (28%) indicated that they – or someone else in their organisation – had received training, support or advice on tendering at some stage:

- **62% of respondents had not received any training, support or advice on tendering**

When the 62% of respondents who said that neither they nor anyone else in their organisation had received any training, support or advice on tendering were asked why not, of 965 respondents, almost three quarters (71%) said that **they did not know free tender training was available**. 27% said they did not have enough time to seek support.

A third of respondents to a [Social Enterprise Scotland and SCVO survey](#) in 2023 agreed that more guidance and support is now available than in previous years, and [Blake Stevenson's 2022 research](#) found that take-up of current support provision among those who had recently bid for a public contract is reasonably good, particularly via Just Enterprise and the Supplier Development Programme.

Widening access to this support and increasing access to tailored support including more in-depth 1:1 support is an area that many want to see developed further:

“However, those that had not bid for public contracts in recent years felt that more support would encourage them to consider bidding. They expressed a desire for more guidance from the public sector, individualised 1-1 support, and case studies showcasing successful bids from similar organisations.”
([Social Enterprise Scotland and SCVO, 2023](#))

“What is needed is having someone that can support organisations individually with the bid,”
(Stakeholder, [Scottish Government/ Blake Stevenson Ltd, 2022](#)).

Meet the Buyer events

Meet the Buyer events are one of the key routes for the sector to meet with commissioners and are generally viewed positively. However, there were some mixed feelings about their value and voluntary sector respondents to the [Social Enterprise Scotland and SCVO, 2023](#) and [Scottish Government/ Blake Stevenson Ltd, 2022](#) research highlighted a number ways in which Meet the Buyer events could become more enabling:

- tailored Meet the Buyer events for organisations new to procurement
eg “Workshops on difference between QQ and the full tendering process would benefit many in 3rd sector” [Social Enterprise Scotland and SCVO, 2023](#)
- more opportunities to speak to commissioners in private: “It is hard for suppliers to speak up at Meet the Buyer events – they are a competitive environment.” (Third sector interviewee, [Scottish Government/ Blake Stevenson Ltd, 2022](#))
- more frequent Meet the Buyer type events.

A two-way learning process for both bidders and commissioners

While many in the sector would greatly benefit from increased training and support, some third sector respondents to the 2023 [Social Enterprise Scotland and SCVO](#) survey felt that the current system only focusses on the bidders when there should be more of a two-way learning process for bidders and commissioners:

“It should be ‘Meet the Supplier’ not ‘Meet the Buyer’!”

“The emphasis of ‘The Authorities’ who instigate tenders is always on educating potential bidders, my observation would be that it is those actually designing and placing tenders on PCS/Public Contracts Scotland who need educated - on three key matters. 1) That tenders for services, especially in Social Care, require a different approach compared to tendering for ‘things or maintenance’ so they need to

know what that means and how to structure a services tender process 2) that the financial structure of service providers (especially charities) is different when compared to those organisations who provide 'things', so the financial requirements of a tender should reflect that, and they need to understand that and 3) Poorly structured ITTs and Specifications, put out with apparently little oversight or strategic thinking, resulting in protracted CQs to clarify ambiguity and conflicting information, therefore wasting time and resource.”

5.3 Strong collaborative relationships between buyers and suppliers

Good communication between buyers and third sector suppliers and more collaborative, outcomes-focused procurement are the third area which would make it easier for the voluntary sector to engage with procurement.

Early notifications and improved engagement with potential bidders

- **63% of SMEs and third sector organisations reported they ‘Sometimes’ or ‘Always’ have difficulty communicating with public sector buyers.** ([Scottish Government - Public procurement survey of suppliers, 2021](#))

In order to improve communication and early engagement with third sector suppliers, Scottish Government procurement guidance suggests “considering using Prior Information Notices (PINs) to provide early alerts to providers of upcoming opportunities to enable them to prioritise resource to bid” and “considering the time allowed for bidders to prepare and submit their bids, and whether additional time would benefit SMEs, the third sector and supported businesses to submit bids.”

Feedback from TSIs and other sector support bodies suggest that early notifications are increasing.

Better Feedback

A few years ago a [Ready for Business survey of procurement commissioners](#) found that the two main barriers to contracting with the Third Sector were ‘A lack of scale/capacity in the sector to deliver (cited by 47% of respondents) and poor quality tenders from the Third Sector (cited by 41%).

Many organisations want to improve the quality of their bids, but highlighted that they do not always get the meaningful feedback from commissioners that would help them improve their bids:

“Some organisations we interviewed reported that feedback was sometimes non-existent, and that when it was available, it often lacked detail.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

More collaborative practices between buyers and suppliers

The research suggests that we are seeing more collaborative practices in some areas, and there has “been some progress on improving third sector input into tender assessments – for example, by involving third sector representation on tender assessment panels.” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

A recent review of sustainable procurement highlighted “an ethos of enabling collaboration and engagement” and cites a number of case studies where “early engagement and partnership working between the public body and supplier allowed for a tailored and effective approach resulting in clear, demonstrated outcomes.” ([Scottish Government and Harkins Research, 2023](#))

“Just as with individual care planning, people told us that local communities and third sector organisations should be more involved in collaborative approaches to planning, commissioning and procuring social care support services” ([Scottish Government Independent review of adult social care, 2021](#))

“there is scope for providers to be more involved in commissioning services and at an earlier stage.” ([Audit Scotland, 2022](#))

“A few research participants noted the importance of different parts of the public sector joining up to improve procurement – in other words, of having strong working relationships within and across buying organisations themselves. This related to Scottish Government’s work with local public bodies, such as local authorities, but also between different departments within organisations” ([Scottish Government/ Blake Stevenson Ltd, 2022](#))

“Strategic commissioning plans must be better linked to planning for other types of service, including particularly housing plans and plans for acute hospital care” ([Scottish Government Independent review of adult social care, 2021](#))

“They have relationships in several local authority/HSCPs, but these can vary in quality - in some case the third sector is treated as a partner, in others as a contractor.” (SCVO Organisational Profiles, 2022)

“What I’d like to see: more public social partnerships, I’d like to see more community commissioning, more alliance commissioning. I’d like to see more confidence around just using grants and direct payments where it’s appropriate, because legislation does actually allow for that.” (Interviewee, [Scottish Government - Supporting collaboration between the third and public sectors, 2021](#))

Greater focus on outcomes and prevention

Many in the sector want to see a greater focus on outcomes and prevention.

CCPS propose a system approach which links individual and strategic outcomes:

1. Develop outcome-based frameworks and contracts
2. Make the links from individual to strategic planning
3. Make the links from strategic to individual outcomes
4. Make the links across the whole system ([CCPS Commissioning for Outcomes, 2023](#))

“Funding would be better distributed if there was more of a focus on preventative spend.” (Third sector respondent, [SCVO Tracker Wave 4](#))

“While most parts of the public sector say supporting SMEs is a priority, there’s an absence of specific objectives, action plans, monitoring or evidence from public sector organisations to back this up.” (FSB Scotland, 2019)

“The promise of person centred, outcome focused partnership working offered by national commissions, legislation and standards has been repeatedly spurned in favour of process-led, resource-intensive, system-focused commissioning and procurement practice. Structures and processes seem easier to plan, measure and account for than outcomes, so the wrong thing keeps getting done, only ‘righter’.” ([CCPS Commissioning for Outcomes](#), 2023)

“The Procurement process is still too heavily focused on process rather than partnering for best outcomes, where cost is not king and best value for money (long term) must be considered” (Respondent, [SES and SCVO survey, 2023](#))

Community Wealth Building and sustainable procurement

In the recent review of the 2014 Procurement Act, the Economy and Fair Work Committee highlights the potential of community wealth building (CWB) to strengthen procurement processes and outcomes, particularly to support local supply chains:

“Spending to maximise community and business benefits through procurement and commissioning is one of the key pillars of community wealth building. The Scottish Government has committed to bringing forward community wealth building legislation. Stakeholders have high expectations that this will build on and strengthen the 2014 Act’s sustainable duty and community benefit requirements.” ([Scottish Parliament 2024](#))

The role of Community Wealth Building and sustainable procurement is also viewed as a key driver of positive changes and more collaborative relationships:

“Robust supplier engagement, considered by respondents to be embedded as best practice across Scotland, is characteristic of Community Wealth Building and the delivery of sustainable community benefits.” ([Scottish Government and Harkins Research, 2023](#))

6. Ideas going forward

While barriers can be overcome and challenges mitigated, many in the third sector believe that the problem is rooted more deeply in the way services are currently procured. CCPS summarize the situation well in their 2023 [Commissioning for Outcomes report](#):

“The promise of person-centred outcome focused partnership working offered by national commissions, legislation and standards has been repeatedly spurned in favour of process-led, resource-intensive, system-focused commissioning and procurement practice. Structures and processes seem easier to plan, measure and account for than outcomes, so the wrong thing keeps getting done, only ‘righter’.”

Exploring ideas to rethink and rebalance procurement

Leading on from the current policy enablers touched on above are ideas to shift and rebalance procurement. A number of voices are also calling for often quite radical rethinking of procurement, particularly within the social care sector.

“Integration Authorities are new organisations, created only a few years ago under the Public Bodies (Joint Working) (Scotland) Act 2014. They should be reformed to take full responsibility for the commissioning and procurement of adult social care support locally, accountable directly to the Scottish Government as part of the National Care Service. Local Authorities should no longer be responsible for commissioning and procuring adult social care support but can continue to provide social care services procured by reformed Integration Joint Boards” ([Scottish Government Independent review of adult social care, 2021](#))

“Commissioners are currently faced with a false dichotomy, between grant funding and procurement. The reality is though that competitive grant processes are not necessarily suitable for the delivery of consistent services across the city, while traditional procurement is inadequate for services that should be embedded in communities. We would like to see public bodies take a new approach to commissioning. That new approach may be alliance commissioning, community commissioning or public social partnerships, something else entirely or a mix of all of these.” ([GCVS, 2021](#))

In many cases the sector is simply wanting to be involved in the design of services and shaping procurement at an earlier stage, with a greater focus on innovation:

“We would like to see the split between commissioners and providers narrowed so that we can get the expertise of both, foster innovation, and engage people with lived experience more productively. In return for a seat at the commissioning table, we expect providers to be accountable for new standards of accountability, quality, staff wellbeing and transparency.” ([Scottish Government Independent Review of Adult Social Care in Scotland, 2021](#))

“more opportunities to influence them before procurement docs are written built into process (as often they have no idea what's really needed), and better opportunities to offer innovation instead of waiting for LA to decide what they want.” (Respondent, [SES and SCVO survey, 2023](#))

Exploring alternatives to procurement

A number of alternatives to procurement have been proposed in recent years, from a simple return to more grant-based models to strategic partnerships and co-produced service design models:

“Some local authorities are going down the PCS route instead of previously available grants to local charitable organisations, which further excludes smaller organisations. It’s a huge leap from grants to tendering.” ([SES Unlocking procurement for social enterprises, 2023](#))

“Informal, community based services and supports must be encouraged, supported and funded to respond appropriately to the needs of local citizens, including for preventative and low level support” ([Scottish Government Independent review of adult social care, 2021](#))

“Funding should be allocated on according to a strategic plan and should consider who is best placed to deliver components of the strategy rather than repeatedly recycled through existing flawed planning and procurement systems” (Third sector respondent, SCVO Tracker Wave 4)

“there are already new models that have been tested - public social partnerships, alliance commissioning and community commissioning amongst others. These approaches – which have different strengths and weaknesses – demonstrate that we can undertake commissioning more effectively.” ([GCVS, 2021](#))

“We have chosen to adopt the [Scottish Approach to Service Design](#) and the [National Standards for Community Engagement](#), to support and empower young people and families to actively participate in the definition, design and delivery of services to best meet their needs. [...] As ideas emerge, we will use co-production principles, with a group comprising young people, families, third sector and public sector working together to design services to meet their needs.” ([GCVS, 2022](#))

Further reading - some key policy responses and recommendations

A number of sector bodies have recently responded to consultations on procurement, while CCPS’s Big Ideas paper puts forward some ideas to challenge the current ‘default to commissioning’ thinking:

- SCVO response to the Scottish Parliament Economy and Fair Work Committee's consultation on Assessing the impact of the Procurement Reform Act: [link](#)
- Social Enterprise Scotland response to the Scottish Parliament Economy and Fair Work Committee's consultation on Assessing the impact of the Procurement Reform Act: [link](#)
- CCPS ‘Big Ideas’ for changing how social care is planned, purchased and paid for, including ideas for a system reset and improved local and participatory decision-making: [link](#)



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