

A man with curly hair and glasses, wearing a grey blazer over a blue shirt, and a woman with long brown hair, wearing a light blue button-down shirt, are standing in an office. They are both looking down at a white document held by the man. The background is a bright, modern office with large windows and a potted plant on the left.

Your guide to procurement fundamentals in Scotland

What is procurement?

Procurement involves acquiring goods, services, or works externally. It includes several steps such as identifying needs, selecting suppliers, negotiating contracts, and ensuring proper delivery and payment. The primary goal is to acquire resources in the most cost-effective and efficient way possible.

Why procurement is essential to your organisation's success?

1. **Cost management** - Choosing the right suppliers and negotiating favourable terms can significantly reduce costs, positively impacting the bottom line.
2. **Operational efficiency** - Well-planned procurement processes prevent delays and optimise resource allocation.
3. **Supplier relationships** - Strong, long-term partnerships with suppliers ensure better quality, innovation, and reliability in the supply chain.
4. **Risk management** - Effective strategies help mitigate risks related to supply chain disruptions, compliance, or market changes.
5. **Strategic role** - Procurement now contributes to long-term goals such as sustainability, innovation, and gaining a competitive edge.

By focusing on these areas, procurement adds tremendous value and ensures long-term organisational success.

Procurement vs purchasing

Procurement and purchasing are closely related but distinct. Think of procurement as the long-term strategy and purchasing as the day-to-day implementation.

Procurement	Purchasing
Procurement is strategic. It prioritises planning, analysis, long-term supplier management, and mitigating supply chain risks, such as market disruptions.	Purchasing is tactical. It handles the day-to-day buying process, focusing on placing orders, receiving goods, and ensuring orders meet immediate needs.

Key stages of procurement

The **CIPS Procurement and Supply Cycle**, also known as the “procurement wheel,” breaks the process into 13 clear steps:

- 1 Define requirements and create specifications.
- 2 Analyse the market and decide whether to make or buy.
- 3 Develop a strategy and procurement plan.
- 4 Conduct pre-procurement market engagement.
- 5 Prepare documentation (e.g., pre-qualification questionnaires).
- 6 Select suppliers to participate in tenders.
- 7 Issue tender documents.
- 8 Evaluate bids and validate results.
- 9 Award contracts and implement agreements.
- 10 Handle warehousing, logistics, and receipt of goods.
- 11 Monitor contract performance and drive improvements.
- 12 Manage supplier relationships effectively.
- 13 Oversee asset management.

What skills do procurement professionals need?

Procurement is a dynamic career requiring a blend of analytical, communication, and strategic skills. Procurement professionals play a vital role in managing supplier relationships, negotiating contracts, and ensuring efficient supply chains.

Here are the essential skills for success:

- 1 Analytical thinking:** Examine data to make well-informed decisions.
- 2 Communication:** Work effectively with suppliers, stakeholders, and colleagues.
- 3 Project management:** Handle procurement projects end-to-end.
- 4 Financial know-how:** Understand budgets, cost savings, and financial principles.
- 5 Supplier management:** Maintain strong supplier relationships.
- 6 Strategic thinking:** Develop procurement strategies aligning with organisational goals.
- 7 Problem-solving:** Tackle procurement challenges swiftly.
- 8 Negotiation:** Achieve the best terms and value from suppliers.
- 9 Attention to detail:** Ensure contracts and documentation are accurate.
- 10 Ethics:** Adhere to ethical and sustainable sourcing practices.



Procurement in the public sector

The UK government spends approximately £300 billion annually on public procurement, constituting nearly 45% of GDP. Public sector procurement spend in Scotland was £16.6 billion, with £8.9 billion spent within Scotland.

The Scottish government spends public procurement money on a wide range of goods, services, and works to deliver public services like healthcare and education, and to foster economic growth and social wellbeing. Spending is directed towards key sectors such as utilities, ICT, construction, and professional services, with a particular focus on benefiting Scottish businesses (especially SMEs), communities, and supported businesses.

Key principles for Scottish public sector procurement

Fairness and transparency	Value for money	Accountability
<p>All potential suppliers must be treated fairly and given the same clear information throughout the process to ensure a high level of integrity.</p>	<p>Procurements must be planned and executed to achieve the most advantageous combination of cost, quality, and effectiveness.</p>	<p>Procurement processes must be conducted to high professional standards, with strong governance and a clear audit trail.</p>

A key objective is to align procurement with the national aim of creating a fairer, more equal society, including promoting economic growth, sustainability, and innovation. This is achieved through a strategic approach that also supports community benefits and SME participation.



Regulatory framework

Public procurement in Scotland operates under the Public Contracts (Scotland) Regulations 2015, which reflect the principles of transparency, equal treatment, and non-discrimination established under the EU framework. Although the rest of the UK now follows the Procurement Act 2023 and Procurement Regulations 2024, Scotland has retained its own legislative framework, ensuring that procurement activity continues to be delivered in line with Scottish policy objectives, including sustainable outcomes and community benefits.

There remains a degree of cross-border recognition between Scottish and rest-of-UK frameworks and dynamic purchasing systems, supporting continued collaboration and supplier access. The Scottish rules apply to all above-threshold procurements, with supplementary guidance in place for contracts below the thresholds. These financial thresholds are aligned to the World Trade Organisation (WTO) Government Procurement Agreement (GPA) and are reviewed and updated every two years.

Bills and legislation

- [The Public Contracts \(Scotland\) Regulations 2015](#)
- [Procurement Reform \(Scotland\) Act 2014](#) governs public procurement in Scotland
- [Public Procurement Strategy for Scotland \(2023-2028\)](#) acts as a high-level guide for the Procurement Reform (Scotland) Act 2014
- [Housing \(Scotland\) Act 2014](#) protects tenants' interests, supports improvements to housing quality and secures better outcomes for communities
- [Housing \(Scotland\) Act 2010](#) introduced the Scottish Housing Charter which sets 16 standards and outcomes that all social landlords should be meeting

Key thresholds for Scottish public procurement

Category	Threshold (including vat)
Goods and Services	£50,000 (Excluding VAT)
Works Contracts	£2,000,000 (Excluding VAT)

Frameworks and Dynamic Purchasing Systems

Framework agreements and Dynamic Purchasing Systems (DPS) streamline public procurement. They allow access to pre-qualified suppliers, reducing both the time and resources needed to award contracts.

Procurement frameworks play a critical role in structuring contracts for goods, works, and services. Let's break down the key types to make them clear and accessible.

Closed frameworks	Dynamic Purchasing Systems (DPS)
<ul style="list-style-type: none"> • Legal basis: Governed by the Procurement Reform (Scotland) Act 2014 and Public Contracts (Scotland) Regulations 2015 • Duration: Typically up for 4 years. Longer durations are only permitted in exceptional justified cases • Supplier access: Closed – Once awarded, no new suppliers can join during the term • Structure: May be divided into lots by category or region • Call-offs: Contracts can be awarded via direct award or mini-competition amongst framework suppliers • Purpose: To provide a pre-approved list of suppliers for commonly procured goods/services 	<ul style="list-style-type: none"> • Legal basis: Regulated under Regulation 35 of the Public Contracts (Scotland) Regulations 2015 • Duration: Varies by DPS – typically 4 to 6 years, but can be extended • Supplier access: Open – suppliers can join at any time during the DPS term if they meet the selection criteria • Process: Entirely electronic. Two stages: (1) Qualification via SPD, (2) Mini-competition for each call-off • Call-offs: All qualified suppliers in the relevant lot must be invited to tender. No standstill period required • Purpose: Ideal for frequently purchased or specialist services where flexibility and supplier diversity are needed

Understanding social value in procurement

Social value in procurement goes beyond the core purpose of the contract to benefit the wider community, economy, and environment. It focuses on the overall impact of purchasing decisions on well-being.

Legislative framework

1. Procurement Reform (Scotland) Act 2014

Requires public bodies to consider sustainable procurement duties, including:

- Improving the economic, social, and environmental wellbeing of the authority's area.
- Facilitating the involvement of small and medium enterprises (SMEs), third sector bodies, and supported businesses.

These duties must be considered before carrying out a regulated procurement.

2. Community Empowerment (Scotland) Act 2015

- Applies primarily to asset transfers from public bodies to community organisations.
- Requires authorities to assess social value when considering asset transfer requests.
- Social value includes economic, social, and environmental benefits to the community.
- There is no fixed methodology for calculating social value, but authorities are encouraged to use evidence-based approaches.

Examples of promoting social value:

- **Supporting employment:** Offering apprenticeships or hiring from local communities.
- **Empowering local businesses:** Directing subcontracting opportunities to small and medium-sized enterprises (SMEs) in the area.
- **Community engagement:**
 - Hosting career talks in schools or community centres.
 - Participating in community improvement projects, like planting gardens or refurbishing public spaces.
- **Sustainability efforts:** Offering eco-friendly alternatives, focusing on recycling, waste reduction, and minimising packaging.
- **Social value rebates:** Providing financial rebates to customers based on the level of expenditure while ensuring social impact.

By actively integrating these approaches, procurement professionals can align purchasing strategies with broader societal priorities, ensuring meaningful outcomes beyond simply fulfilling contractual obligations.



Put procurement fundamentals into practice

You've explored the essential principles, strategies, and frameworks that shape effective procurement. Now it's time to turn insight into impact.

Whether you're navigating public sector regulations, embedding social value, or building resilient supply chains PfH Scotland's team is here to support your journey.

Let's work together to deliver smarter, more sustainable procurement. Contact us today to access expert guidance, tailored frameworks, and innovative solutions that drive real results.

Get in touch!



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