

ECONOMY, ENERGY AND FAIR WORK COMMITTEE**SCOTLAND'S CONSTRUCTION SECTOR INQUIRY****SUBMISSION FROM Supplier Development Programme****Economic impact of the sector**

1. How important is the construction sector in Scotland as an economic enabler? If possible, please provide evidence of knock-on multiplier impacts at local, regional and national levels, and explore the impact of the sector on national GDP performance.
2. What are the causes of the sector's productivity challenges? Can you suggest possible solutions?
3. How effective is Scotland's construction supply chain? Explore areas of gaps, duplication, etc.
4. What is the future economic outlook and implications of Brexit on the sector?
5. The UK Industrial Strategy Challenge Fund and the linked Sector Deal for construction aim to address issues such as improving procurement practices, skills, exports and innovation. How do these impact on Scotland?

Access to finance

6. What are the sources of and barriers to accessing finance in the sector? We would welcome perspectives from all sizes of businesses from micro through to Tier 1.
7. What are your views on payment terms and payment behaviours across the sector?

Procurement

8. How do public procurement practices and procedures impact on the sector?

The Supplier Development Programme (SDP) is a business support initiative delivered via the SDP central team, (hosted by South Lanarkshire Council,) who support Economic Development and Procurement functions within each partner local authority and our other member organisations. The Programme's aim is to help Scottish SMEs improve their performance in winning contracts in the public sector, with the Construction sector featuring predominantly in this activity. This is achieved through offering information, support and training events to assist in navigating the complex tendering processes used in Public Sector procurement. This is delivered regionally, as face-to-face workshops and also digitally via webinar.

The Programme is supported by the 32 Scottish local authorities, Scottish Government, plus the following government bodies:

- Public Sector Bodies
- Highlands & Islands Enterprise

- Historic Environment Scotland
- Registers of Scotland
- CalMac
- National Records of Scotland
- Scottish Parliament
- Scottish Enterprise
- Forestry Commission
- Scottish Fire and Rescue Service
- Highlands and Islands Airport Limited

The Programme now has over 12,000 SME registered businesses.

SDP's key objectives are to:

- Raise awareness of opportunities arising from public sector spend;
- Provide training and support on all aspects public sector tendering;
- Improve the tender readiness of local suppliers through early intervention;
- Support our member organisations to meet the Sustainable Procurement Duty; and
- Promote links and integrate with other government business support services.

In August 2017, with support from the Cabinet Secretary for Finance and the Constitution, Derek Mackay, and working with Scottish Government, SDP started the journey to move from not only a local authority focused intervention to a wider "Team Scotland" partnership initiative. SDP Scotland promotes registrations to SDP through various events and via SDP regional representatives. In 2017/2018, 1,690 Scottish SMEs or third sector organisations joined the Programme, increasing total registrations 17% since 2016/17, raising the 9,749 registered businesses to 11,439 registered businesses. Glasgow City Council accounted for 20% of new registrations, followed by City of Edinburgh with 13%, South Lanarkshire Council with 7%, and North Lanarkshire with 6%. In 2017/18 SDP delivered 68 face to face training events, 37 webinars and supported 50 external events.

Also in 2017/2018, SDP began working more closely with SDP member organisations, to tailor training to focus on key topics that align to a particular tender need. An example of this is where a contract opportunity is likely to attract suppliers new to tendering and the public sector process. In order to maximise the potential for the supplier to be tender ready, well in advance of the notice being published, a Supplier Engagement Day is set up. Working in conjunction with SDP Members' procurement staff, the Supplier Development Programme highlights the opportunity and the requirements to participate. SDP then provides a presentation, taking suppliers through registering on Public Contracts Scotland, which covers key steps on how to find opportunities, how to complete their supplier finder profile and how to use the PCS online Supplier Information Database to store their supporting documents.

With a micro team of four staff, the SDP answers an average of 200+ enquiries per month from suppliers, received either by email, phone or the SDP website contact form. There are a wide range of enquiries, but the majority fall into one of the following categories:

- SDP registration assistance
- SDP event booking or cancellation assistance
- Accessing /using Public Contracts Scotland
- Assistance with selecting the most suitable events
- Help getting access to a webinar

SDP regularly supports SMEs that do not have, and cannot afford, bid writing teams and procurement specialists, to enable them to understand the public sector procurement processes and equip them with the skills they require to bid better with the hope that they will be successful in being awarded contracts.

SDP Reps – Local Authorities

SDP Reps in each of the 32 local authorities across Scotland generally agree that at Rep level, enquiries from SMEs in the Construction Sector is the number one engagement over all other sectors. SDP works in partnership with local authorities to support “Meet the Real Buyer” events throughout the country. SDP regularly works with SDP Reps and local authorities to arrange “Meet the Real Buyer” events which give an opportunity for the business community to speak to Council teams who commission contracts and invite tenders for the local authority – all in one place.

One of these such “Meet the Real Buyer” events was arranged with South Lanarkshire Council on 27 November 2018. Buyers from all Council services were represented at the event, alongside some of the large construction companies (Tier 1 contractors) who regularly work in partnership with South Lanarkshire.

Councillor John Anderson, Chair of Community and Enterprise Resources, said: “The council is committed to improving opportunities for local SMEs to access contracts, and this event offers an ideal opportunity to meet directly with those responsible for developing specific requirements.”

Depute Provost, Councillor Collette Stevenson, who delivered the opening address at the event, added: “Meet the real buyer offers companies a genuine chance to identify leads and get ‘bid ready’. For businesses serious about working with the council and helping us to deliver for the people of South Lanarkshire, this event is a must.”

Attendance at the South Lanarkshire Council “Meet the Real Buyer” event included 20 construction SMEs, which made up 20% of total attendees and was the highest percentage of all sectors that attended on the day. Feedback from SDP Reps consistently points to the fact that SME suppliers, especially within the Construction Sector, want to speak to Buyers directly – and not solely through online portals as the only channel/source of communication.

Currently, local authorities are split between full partnership and associate membership of the Supplier Development Programme, which means that SMEs based in the areas of Scotland with associate membership currently do not benefit from the full Supplier

Development Programme. There is a growing appetite from some local authorities to pull away from SDP, given the financial pressures and cuts especially in the last few years.

Suggestion: All local authorities should be required to pay for official full partnership/membership of the Supplier Development Programme on an annual basis, funding for which would ideally be embedded within each local authority's budget for economic development.

9. Do you have any suggestions on opportunities to enhance procurement practices across the sector?

From June 2015 to February 2019, there were 22,417 registrations for Supplier Development Programme training and events. During the calendar year January to December 2018, there were 141 registrations for SDP courses and events throughout Scotland from SME construction companies. SDP regularly speaks to SME construction companies across Scotland which do not understand, or do not think they have the time or appropriate computer skills, to bid for public sector work. Often, this is due to a lack of understanding of how public sector contracts and sub-contracts are bid for and won on the PCS and PCS-T portals. For example, a SME that outfits kitchens might do a search on PCS/PCS-T for "kitchen contracts" and come up with zero results. However, when a search is done for "hospitals" or "schools" construction, there are sub-contract opportunities available for kitchen contracts through the supply chain.

There has also been frustration from SMEs regarding the lack of uptake of buyers with regard to public contracts through the Quick Quotes route on PCS. Whether this is just under-utilised by Buyers or if it is due to the current parameters and spending limits of the Quick Quote route, there is a negative perception amongst suppliers with this particular area of public sector procurement. According to feedback from SDP course 1.2. "Using PCS and other Portals" scheduled in South Ayrshire on 2 May 2018: "We intend registering soon and have a look what contracts we can bid for. The quick quotes type we thought would be more used than they are given the numbers over the past year that were noted. The number given of around 135 for the year is for everything ... be nice to know how many were in the construction sector that we could tender for."

There is also significant frustration expressed by SMEs to the SDP Programme regarding the complete lack of feedback on unsuccessful bids, which they usually have spent significant time preparing and submitting.

Therefore, there is a requirement for SDP Reps and SDP trainers, as well as SDP staff, to help manage expectations regarding the fact that the level of legislation around public sector contracts, different levels and numerous approved routes of accreditation, and the hoops they have to currently jump through are not going to go away – which is why the SDP Programme exists, to help support SMEs to bid better and more successfully within those parameters. SDP is not, in principle, against the use of accreditation schemes, such as Constructionline but for small suppliers, following a template rather than having to duplicate their efforts every time they submit a new application significantly limits the

pressure on their resources and reduces costs and creating added value for buyers by opening up a wider talent pool. Providing they are reasonable priced, and there is mutual recognition across the contractor's base of all the different schemes, SDP sees there can be benefits, but when each contractor demands a supplier uses a certain scheme and there can be at least three major accreditation schemes, it can mean three times the cost for that small business to - in essence - tick a box. On the back of this, is the existence of "risk adverse" local authorities, where some Councils have really onerous Health and Safety processes that SMEs can struggle to meet, which are above and beyond what is seen as an acceptable level of Health and Safety.

Suggestion: Mutual recognition of all accreditation schemes across contractors, and basic health and safety requirements, should be required for public sector contracts.

SDP staff can give anecdotal evidence that the demand for free one-to-one tutoring and training has increased exponentially since the introduction of the ESPD in April 2016, and again since PCS went fully digital in October 2018. Given that PCS currently refers suppliers to the Supplier Development Programme helpline for help with its own system, it is fair to say that the SDP programme is currently extended beyond its own resources and has had to make a decision to limit time spent on this by a micro team of four members of staff.

Suggestion: Expand funding for the SDP Programme to allow for free or low cost one-to-one or small classroom tutoring/mentoring sessions on procurement for SMEs as a pilot programme. Feedback from SDP events suggest this would be a welcome addition to the support available to SMEs, however, existing resources and budgets to allow this currently.

With additional financial resources appropriated by the Scottish Government, and working in partnership, the Supplier Development Programme could potentially run a pilot specific to the construction sector to encourage and develop SMEs to find, win and keep public sector contracts and sub-contracts. For example, SDP could develop tailored procurement courses aimed at SMEs in the Construction Sector supply chain and deliver them in multiple formats throughout Scotland. Feedback from SDP courses indicates that there is already a demand for this from current SMEs in the construction sector who have attended SDP training in the last year, from attendees at all levels of training in public procurement: beginner to advanced.

Feedback with respect to suggestions as to how SPD could improve the event/training: from the SDP course 2.3 "Improving your bid score" scheduled in Dundee on 12 June 2018: "Possibly make some training sections specific to services goods, construction, etc.;" on the SDP course 2.1 "Tender Procedures and the ESPD" scheduled in North Lanarkshire on 11 October 2018: "Tailor to specific business types; e.g. care, construction, etc." and on the SDP course 2.2. "Finding and Understanding Framework Opportunities" in Glasgow on 13 December 2018, there was a suggestion for exploring specific "construction-based frameworks" to improve the course. On a more advanced course, SDP's 3.2 "The Supplier's Role in Contract Relationship Management" organised in Clackmannanshire on

20 September 2018, when asked “What other tender/procurement topics would you like to have training on?” one attendee wrote: “Step-by-step guide through the tender process foistered on family-run construction.”

Tier 1 Contractors and Corporate Membership of the Supplier Development Programme

To encourage a closer working relationship with buyers, and in particular, Tier 1 contractors, the SDP recommends Corporate Membership of the Supplier Development Programme. The Supplier Development Programme is funded by Scottish Government, local authority memberships, affiliate memberships and corporate memberships. Corporate Membership provides:

- Early market awareness and promotion of potential tender/supply chain opportunities;
- Support at the organisation’s tender-related supplier engagement events;
- Encourage participation in the organisation’s tender and supply chain opportunities; and
- Provide assistance to organisations to promote the availability of the Supplier Development Programme’s free procurement training to the organisation’s supply base.

Corporate Membership of SDP is open to organisations that, whilst not from the wider public sector organisations, are actively involved in the supply chain and are keen to demonstrate their commitment to sustainability and community benefit clauses.

The benefits to those organisations is greater supplier engagement, assistance in raising awareness of how to do business with the organisation and potentially an increase in competitive bids for its contract opportunities, which may offer savings. Currently, some Tier 1 contractors may say that they demonstrate commitment to the sustainability and community benefit clauses within public sector procurement contracts by stating that they support the Supplier Development Programme, which is essentially a government programme to assist Scottish SMEs. However, there is currently only one official Corporate Member of SDP Scotland: Jacobs.

Jacobs is one of the largest and most diverse providers of technical, professional and construction services, including all aspects of architecture, engineering and construction, operations and maintenance, as well as scientific and specialty consulting. They have more than 77,000 employees in 230+ locations around the world and serve a broad range of companies and organisations, including industrial, commercial, and government clients across multiple markets and geographies.

From a Scottish perspective, Jacobs employs more than 1,400 people across the Glasgow, Edinburgh and Inverness offices. It has led/been involved in some of the largest infrastructure projects in Scotland; including the Queensferry Crossing, the Edinburgh to Glasgow Rail Improvements Programme, and most recently, the A9 improvements

programme. It engages a wide range of suppliers, from Tier 1 Contractors through SMEs to independent consultants.

SDP offers both large and small contractors in the Construction Sector an opportunity to understand opportunities in the supply chain and discuss the wide-ranging benefits of the Supplier Development Programme Corporate Membership offering to construction firms that attend “Scotland Build” events annually, but the uptake is currently minimal with the financial implications of membership often cited by potential members as its downfall.

Suggestion: The Supplier Development Programme would argue that all Tier 1 Contractors be required to become Corporate Members of the Supplier Development Programme as an essential step within public sector procurement. Currently, when Hubs come together for major construction initiatives, because it is private sector, they generally hire a not-for-profit company to deliver the Supplier Development Project specifically for the construction sector, which specifically mirrors SPD training.

Suggestion: Pilot SDP for the Construction Sector

Given additional resources for a dedicated project, led by Tier 1 Contractors which have become paid-up Corporate Members of the Supplier Development Programme with signed Memorandums of Understanding, and through working in partnership with existing organisational aforementioned set-ups such as regional hubs, etc., SDP could put in dedicated resource for the construction sector which is not currently tenable due to the finite resources and time of the four staff members employed by the Supplier Development Programme. This would ensure that the Supplier Development Programme for the Construction Sector is managed overall in an open and transparent way, which does not currently exist in the private sector, and is promoted universally to the growing number of suppliers (12,000+) currently registered with the Supplier Development Programme across Scotland.

Suggestion: Review and action the “Implementation Plan” from the 2014 Review Of Scottish Public Sector Procurement In Construction.

In 2016, the Scottish Government did a review on construction procurement. The outcomes can be accessed at <https://www2.gov.scot/Resource/0051/00516380.pdf>. A spreadsheet of actions was also created. One of the actions was about industry-led training and supporting SMEs. The Implementation Plan stated: “The industry should consider what industry-led training programmes currently exist for those bidding for public sector work, and whether there is scope for these to be co-ordinated and developed further.” SDP was pointed out as part of this resource on the SFT website; however, the Scottish Futures Trust has never contributed directly to SDP. SDP met with SFT a couple of years ago, and we did talk about how we could work together and opportunities for monetary input but nothing was actioned. SDP thinks there is maybe some merit in reviewing this again.

Suggestion: Supply chain visibility and opening up contract opportunities resulting from public sector spend through Scottish Government legislation.

The UK government put out a Policy note encouraging this <https://www.gov.uk/government/publications/procurement-policy-note-0118-supply-chain-visibility>. SDP asked Scottish Government if it was planning to do the same and the answer was that the facility exists in PCS, but there is no real push/legislation behind it to encourage more.

Case Studies

The Supplier Development Programme supports SMEs in different areas of the Construction Sector.

Case Study: A1 Ironmongery & Plastics is a SME based in Kilmarnock, East Ayrshire

For example, A1 Ironmongery & Plastics benefited from advice and training from SDP Scotland, which helped it to deliver on its ambition to become a supplier to South Ayrshire Council. A1 Ironmongery & Plastics is a SME based in Kilmarnock, East Ayrshire. In Spring 2018, A1 Ironmongery was appointed a place on a National Framework to deliver general ironmongery, ground care tools, fixings, adhesives, sealants and silicon to all three Ayrshire Councils. The Trade Materials Framework was tendered by Scotland Excel, the Centre of Procurement Expertise for Scotland's local government sector. A1 Ironmongery was awarded two tenders on the Framework for two years, with an option to extend for a further two years.

Ivie Kerr, Director of A1 Ironmongery & Plastics, said: "Securing a place on the framework represents us with a significant opportunity to extend what we do and realise fresh growth from our base in Ayr. We're proud to have been given the opportunity to work with our own local authority, South Ayrshire Council, as well as with neighbouring East and North Ayrshire, and we're hoping the new contract will help our business go from strength-to-strength. Competing for an appointment like this is a daunting task, but there is help available from organisations like the Supplier Development Programme that can guide you through the process."

Case Study: Maxi Construction

Maxi Construction has operated as a Principal Contractor throughout central and southern Scotland for over 47 years. Working in all market sectors, it has experience in delivering new build, extension, alteration, refurbishment and fit-out projects. A representative from Maxi Construction said: "Our PQQ success rate around the time that I joined the business was around 50% (1/2). With the benefit of training, including attending SDP training and events, and continuous improvement from feedback, our current PQQ success rate is 75% (3/4). In the year that I first joined the business the value of public sector contracts awarded to Maxi Construction was just over £3m. In the latest financial year, the value of public sector contracts awarded to the business was over £11m."

Meet the Buyer Event

The Supplier Development Programme, in partnership with Scottish Government and Scotland Excel, has grown the Meet the Buyer (MTB) event year on year, with 2018 having over 2,100 on the day attendees. More than 45 public sector bodies from across Scotland gathered at the largest **free** procurement event in Scotland on 6 June 2018, hosted by the Supplier Development Programme. The event brought together 26 Scottish Local Authorities, the NHS, Police Scotland, Scottish Fire & Rescue, DfID and Crown Commercial Services amongst the 60+ organisations which exhibited at the event. Buyers from Scottish Government, Scotland Excel, Transport Scotland and over 15 private sector buyers with sub-contract opportunities were in attendance, giving suppliers the opportunity to speak to directly to buyers about their procurement processes and contract opportunities.

Gillian Cameron of the Supplier Development Programme said: “The Supplier Development Programme’s Meet the Buyer event affords businesses - and in particular SMEs - a truly unique opportunity to network, connect and hear the latest news on how they can grow their business through public sector tendering and the wider supply chain - all under one roof.”

Ainslie McLaughlin, Director of Procurement and Commercial at the Scottish Government said: “The Scottish Government recognises that SMEs are critical to the economic health of the country and we want them to thrive. SDP’s Meet the Buyer event provides SMEs with the potential opportunity to meet procurement experts from your local area and nationally to gather valuable information on future procurement opportunities of interest to your business.”

The 2019 Meet the Buyer event is scheduled for 13 November 2019. Ideally, this should be promoted to the Construction Sector year on year as it is the only free procurement event offered nationally on an annual basis.

Meet the Buyer North Event

The Supplier Development Programme, Scottish Government, Scotland Excel and Highlands and Islands Enterprise held the first Meet the Buyer North event on 5 September 2018.

This event was an opportunity for suppliers to speak directly to purchasers and decision-makers from a wide variety of public sector organisations based on the North and Islands of Scotland, as well as making key contacts with a number of Tier 1 contractors who have supply chain opportunities. More than 30 buying organisations exhibited on the day, which was attended by more than 600 on the day attendees.

Meet the Buyer North is planned for 4 September 2019, and ideally should be promoted to SMEs in the Construction Sector which are based in the north of Scotland, including the Highlands and Islands.

Brexit

As we move forward to March 2019 and Brexit, the Supplier Development Programme knows that new challenges will face our SME community. Dependent on the final position, possible changes to the procurement rules will be made via amendments to existing legislation at both UK and Scotland levels. To ensure they continue to compete and benefit from opportunities, SDP will be required to play a vital role in ensuring that Scottish businesses are informed, educated, and perhaps most importantly, trained, on any such changes – including terminology and the “language” of public procurement. For example, “ESPD” to “SPD” (which coincidentally, makes it difficult not to confuse with our own programme) or “SQ” in England. SDP’s training materials will require to be updated to ensure that SMEs do not suffer additional difficulties or barriers to bidding for public sector contracts.

Infrastructure investment

10. Considering the national infrastructure construction pipeline, is the planned pipeline sufficient? And has the sector got to the ability to meet the country’s infrastructure needs to drive growth?

Innovation

11. What are your views on the Construction Scotland Innovation Centre?
12. Where are the opportunities for growth within sub-sectors, e.g. offsite construction?
13. How will technological changes (e.g. robotics, automation) impact on the sector?
How can Scotland take advantage of this change?