



Official Report
Aithisg Oifigeil

DRAFT

Public Service Reform Committee

**Comataidh Ath-leasachadh
nan Seirbheisean Poblach**

Thursday 8 October 2026

Session 7



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PUBLIC SERVICE REFORM COMMITTEE

8th Meeting 2026, Session 7

CONVENER

*Bob Doris (Glasgow Kelvin and Maryhill) (SNP)

DEPUTY CONVENER

*Michelle Campbell (Renfrewshire North and Cardonald) (SNP)

COMMITTEE MEMBERS

*Max Bannerman (Highlands and Islands) (Reform)

*Joe Fagan (South Scotland) (Lab)

*Murdo Fraser (Mid Scotland and Fife) (Con)

*Alex Kerr (Hamilton, Larkhall and Stonehouse) (SNP)

*Lorna Slater (Edinburgh Central) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Naomi Mason (Centre for Local Economies)

Julie Welsh (Scotland Excel)

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Public Service Reform Committee

Thursday 8 October 2026

[The Convener opened the meeting at 09:30]

Decisions on Taking Business in Private

The Convener (Bob Doris): Good morning, and welcome to the eighth meeting of the Public Service Reform Committee in 2026.

Item 1 on our agenda concerns decisions on whether to take in private a number of items at future meetings and this meeting. First, do we agree to take item 3, on our work programme, in private?

Members indicated agreement.

The Convener: Secondly, do we agree to consider a draft letter to the Scottish Government on the committee's pre-budget scrutiny inquiry 2027 in private at future meetings?

Members indicated agreement.

The Convener: Finally, do we agree to consider the committee's strategic plan in private at future meetings?

Members indicated agreement.

The Convener: I took the silence as enthusiastic agreement.

Delivering Public Service Reform

09:31

The Convener: Item 2 is evidence on delivering public service reform.

I welcome our witnesses: Naomi Mason, head of Scotland for the Centre for Local Economies; and Julie Welsh, the chief executive of Scotland Excel. I thank them both for coming along. We have indicated that they are welcome to make brief opening statements, and I invite Naomi to go first.

Naomi Mason (Centre for Local Economies): Good morning, and thank you for having me here and for the opportunity to contribute.

I am here in my capacity as a representative of the Centre for Local Economies—CLES. We are an independent think tank and charity, and we work the length and breadth of the United Kingdom with public bodies, communities and partners to build local economies that work for people and places. We are the curators of community wealth building in the UK.

Community wealth building is an economic development approach. It seeks to ensure that the wealth that is generated within a place is retained and that it is circulated and shared for the benefit of local people and communities. It focuses on how public bodies use their spending, employment, assets, investments and influence to create fairer, more resilient local economies.

In Scotland, the approach has recently been placed on a statutory footing through the Community Wealth Building (Scotland) Act 2026, which makes Scotland the first country in the world to introduce national legislation of that kind. My central argument is that community wealth building should be seen not simply as an economic development tool but as an important part of Scotland's public service reform agenda.

Public service reform is often discussed in terms of how services are organised, governed and funded. Those issues are important, but many of the pressures that face our public services are driven by wider social and economic conditions, including poverty, insecure work, poor health and inequality, so, if we are serious about prevention, we need to think not only about how our public services respond to those challenges but about how public policy can help to reduce them in the first place. Therefore, reforming the economy is not separate from reforming our public services. It is just one of the ways that we can reduce demand at source.

From that perspective, community wealth building provides a practical framework for ensuring that public spending delivers on multiple

outcomes and for supporting better services, stronger local economies, reduced inequalities and more resilient communities. It asks how we can shape the economy so that fewer people experience poverty, ill health and insecurity in the first place.

Julie Welsh (Scotland Excel): Thank you for inviting me to speak. Our written submission covers quite a lot of the detail about what Scotland Excel does, so I will focus in my opening statement on the things that make the model work and what has been slightly more difficult, because collaboration comes with challenges.

One of the things that has worked for us is our scale. We have a £2 billion portfolio. It is the once-for-Scotland approach. That means that there is less duplication and more market influence, which is important.

We have shared capability, which is used by the whole sector. The model has legal, compliance, procurement and commissioning expertise in one place.

We have local accountability, which makes us unique. I report to a joint committee of 40 elected members across all 32 councils. They guide and dictate the work of Scotland Excel.

We are very focused on values and outcomes. That is an area in which we have been particularly successful in relation to savings, which are always important, through economies of scale but, more importantly, in considering how we support our small and medium-sized enterprises, the third sector, community benefits and local supply chains—many of the things that Naomi Mason covered.

Those are the things that make the model work. One thing that makes our work a bit harder is the fact that we have no mandate requiring councils to use our services, which means that uptake is rarely 100 per cent. That can be challenging, although, on the other hand, it means that we always have to deliver really good solutions to councils and our associate members if they are going to use them. However, the fact that there are still some separate local solutions creates duplication and cost for our customers and our supply base.

Collaboration is hard across multiple complex organisations, which is the situation that Scotland Excel works in. Often, we find that various stakeholders across the same council area have different views about what they want us to procure and deliver. That continues to be a challenge.

There is also a trade-off between ethical ambitions, quality and affordability. Since our inception, we have done a lot on community wealth building. Because of how we are governed, it is

important to us. However, trying to get all the benefits that we seek through community wealth building while also trying to make things affordable can be a challenge. Our sector continues to deal with that.

The Convener: I thank both of you for those opening statements and you, Julie, for the helpful written submission that you gave us in advance.

Our deputy convener, Michelle Campbell, who has a particular interest in the area, will open questioning.

Michelle Campbell (Renfrewshire North and Cardonald) (SNP): Thank you, Naomi and Julie, for your opening statements and for the written submission.

Julie, you started talking about my first question already. It is about the aspects that have been good in Scotland Excel and the challenges that you have faced, particularly regarding collaboration.

The Scottish Government is looking to implement vast public service reform, so, given the experiences that you have had, what are the main takeaways that need to be addressed at this point? Obviously, the Scottish Government wants to go at pace but there have not yet been firm proposals for what public service reform will look like. What are your thoughts about what needs to be addressed right now, given the frustrations that could lie ahead, so that we manage to deliver public service reform well?

Julie Welsh: That is quite a big question. I have been in Scotland Excel for 12 years, so I was not part of it when it was established, but it was set up systematically, with the Scottish Government working with local government to design it. The approach was based on the outcomes that they were trying to achieve. That is really important for the committee to consider. A detailed business case was agreed between local government and the Scottish Government at our inception, which clearly laid out what the costs and benefits were and what we were expected to achieve once we were set up and beyond that time.

It is important to start with the outcomes—what are we trying to achieve with public service reform?—as opposed to starting with the structure. You should start with the outcomes and you work your way back. That is what has worked well for us.

I mentioned some of the challenges. Collaboration is not easy, particularly across multiple complex organisations. That is what the committee will be trying to achieve.

When I think back to the early years of Scotland Excel, I can see that we had really good

governance. We continue to have that, which is important. We had fantastic leadership—it was before my time—across local government and in the Scottish Government during the time when it was being put in place. There were clear deliverables and outcomes, which were the foundation of Scotland Excel and are what we have worked towards ever since.

We are a small-scale project compared to what the Scottish Government is trying to do, but those lessons still apply. It would be helpful for the committee to consider that.

Michelle Campbell: Naomi, do you want to add anything to what Julie said?

Naomi Mason: Yes, I will add just a couple of points. I echo those comments entirely: you need to start with the outcome that you want to achieve and work back from there. The funding cycle structure does not aid some aspects of delivery. It is challenging to deliver things in the long term when we are trapped in short-term funding cycles, especially when there are big, meaty issues that we are trying to work with and tackle.

One challenge with public service reform is that it could be viewed as the state retreating. From a community wealth building perspective, the state is an agent of change and delivery, because it procures goods and services and employs lots of people. I want to ensure that public service reform is not considered as a rolling back of the opportunities that the state can provide to our places and people.

Michelle Campbell: Thank you for those replies. I will now ask about procurement. What opportunities are there to enable public services to move towards a more preventative approach with early intervention? I suppose that relates to what Naomi Mason said about the importance of having infrastructure in place. What are the sticking points that prevent that approach from being taken in a better way with regard to achieving better deliverables? Naomi mentioned the funding structures in her answer, but is there anything else that would be important?

Julie Welsh: We are not on the front line of public services, but we put in place arrangements that support the front line. The biggest challenge that I see, particularly in care-commissioning arrangements, is that the budget does not always sit in the right place. There is a national arrangement for care at home and supported living services, but there is huge pressure on those services to be able to deliver enough care for people in their homes in order to free up hospital beds and address all the other challenges that we all face. However, there is not enough money in the system to provide the level of care at home that

is required. There is a fundamental issue with where the budgets sit for such things.

Having said that, I will give a different example of where the approach has worked well. Over the past few years, we have worked in partnership with the Scottish Government to put in place a national arrangement for residential rehabilitation services for drugs and alcohol. That has been a great piece of joint work to try to solve some of the policy issues that we face as a country, and it is a good example of where local government, Scotland Excel and the Scottish Government have worked together to come up with a solution that will help with some of the challenges regarding intervention. It can be done if we think it through and the money is in the right place.

Naomi Mason: When I think about procurement and commissioning, I think about how every pound of public money that we spend has two jobs: it buys a service and it creates social, economic and environmental value. Therefore, when we consider reform, we need to ensure that we maximise both of those things.

Julie Welsh made some great points. I will just add that we should commission based on conditions as well as price. I can give some examples either now or later of where that has happened in practice in work across the UK and of how delivery in places has been reformed to instil different values and get the most from the money that is being spent.

Last year, we did some work with the Federation of Small Businesses to understand some of the challenging conditions that its members are experiencing with procurement. As we have already touched on, SMEs and the public sector have issues with capacity, which leads to issues in enabling contracts to be deliverable and lotted in a way that SMEs can capture.

We need to consider how we are resourcing what we want to deliver. I go back to the point about outcomes: what do we want procurement and commissioning to do? As part of that consideration, we need to think about the value that we can create. I would like us to think about how we can use procurement and commissioning to create diverse forms of ownership and to open things up so that we enable more inclusive and democratic business models to have access to procurement and commissioning opportunities. We are effectively talking about rewilding the economy a bit and making it a more diverse ecosystem.

Michelle Campbell: Thank you very much.

09:45

Lorna Slater (Edinburgh Central) (Green):

The committee is looking at procurement from two angles. One relates to how local government can carry out procurement more effectively, which is part of our work on public services, and the other relates to how that fits into the community wealth building agenda.

Julie Welsh, you noted that there is no uniform approach to procurement in local government. What would good look like in local authority procurement? Would it look like everybody taking the same approach and things being standardised everywhere?

Julie Welsh: There is a place for national arrangements, regional arrangements and local arrangements. I sound like a broken record, but the important point is knowing the outcome that we want to achieve. If we want to do things at scale, with a once-for-Scotland approach, we should do it, and other centres of expertise—for example, in health—and the Scottish Government can do that. If it is about place and local decision making, those decisions should be made locally. We do some regional work, but there is certainly a place for more.

For me, good would involve looking at everything that the sector procures and commissions and deciding where things would best sit in order to achieve the outcomes that we are trying to achieve. We are discussing with colleagues in the Convention of Scottish Local Authorities when it is and is not appropriate to have national arrangements. I am certainly not wedded to the idea that national arrangements are the answer to everything, because, in lots of cases, the arrangements need to sit closer to the front line, particularly in relation to care.

Let us have that consideration up front. Local government spends, I think, £10 billion a year. Let us sit down and consider whether that spending should be delivered nationally, regionally or locally to achieve the outcomes that we all wish to achieve. To me, good would look like that all having been planned, because it is not as planned as it might be.

There are plenty of examples of things being done 100 per cent of the time. One relates to the national care home contract, and others relate to arrangements in other parts of that portfolio. It is a mixed bag, and there is sometimes good reason for a particular approach.

Scotland Excel needs to get better at ensuring that we deliver exactly what our customers want and need. That is a challenge when our 32 customers might want different things. We have been around for 18 years and have been reasonably successful, but we should have a look

at what we are doing, engage better with our customers and ensure that we deliver exactly what they need. That is a task for me, and we have already started it. I hope that our customers will see improvements as a result of that work.

Lorna Slater: Should the Scottish Government take more of a leadership role in encouraging, supporting or mandating local authorities to participate?

Julie Welsh: There are areas in which it makes sense for us all to do things once, but making things mandatory can be challenging. For example, a council might decide not to use a national arrangement because its local supplier is not part of that arrangement, so there is sometimes a good reason for not using national arrangements. One size does not fit all, so I am not sure that making things mandatory is the answer.

However, as a sector, we need to get better at using the arrangements that are in place, because we are being paid to do that. We have the expertise to do that, so, if we are not hitting the mark in that regard, we need to do better. We are working on that.

Lorna Slater: My next question is for both witnesses. Naomi Mason, I did not ask you my first question because you were clear in your opening statement on what good would look like. What legislation needs to change and what can we do in the Parliament to move us towards the good that you have both described?

Naomi Mason: There is an opportunity to revisit our procurement legislation. Again, it comes back to outcomes. The legislation must enable us to deliver what we are trying to deliver through procurement and commissioning, and it must enable that for everybody, so that there are equal opportunities for SMEs and large multinational companies. If we are committed to community wealth building through our legislation, we need to provide more support in order to level the playing field and allow our smaller enterprises and our social economy to be on a more equal footing in being able to participate in procurement opportunities.

Julie Welsh: We could do more in the area of serious organised crime, because it can be quite challenging to exclude suppliers from our supply chains. I have raised that issue with the Government previously. That is a particular concern for me. We need to have the levers to exclude organisations that are linked to serious organised crime groups.

Lorna Slater: Thank you.

Max Bannerman (Highlands and Islands) (Reform): Good morning. I thank both witnesses for their opening statements.

Julie Welsh, the national savings programme has reviewed, I think, £720 million of local government spending over three years and has presented £18 million-worth of opportunities to councils. How much of that £18 million have councils taken up? What has been banked as a result?

Julie Welsh: That is a very good question, and I have no answer to it. I have lots of statistics in front of me, but that is not among them, so I will have to come back to you on that.

About three years ago, we introduced the national savings programme to support councils that were struggling financially. It has been pretty successful, although uptake has been mixed, and one of its features has been a purchase card cluster arrangement that we put in place after aggregating demand covering more than 115 public bodies. It was all about ensuring that those bodies got the best tier of rebate, and more than £1 million was saved.

Therefore, some really simple things can be done—and, indeed, such an approach goes way beyond local government, to our associates and our reciprocal arrangements with the Government on health and other issues. It has worked well, as have our focused savings reviews with councils, in which we work with an individual council to look at its ledger and try to find savings. Finding savings is a big part of what we do.

I should have the number that you asked for. I will get it for you.

Max Bannerman: Thank you. It will be interesting to look at it.

When it comes to scaling up and piloting the approach nationally, some of the collaborative work has had limited uptake. Which specific frameworks does that apply to? What is the cost in savings that are not being realised as a result?

Julie Welsh: It is a mixed bag. The national care home contract is used universally, but that is not so much the case with the care at home arrangements, which are much more locally and regionally constituted. We would also like greater uptake of the construction arrangements. We have made inroads into getting people to use our arrangements, but we are competing with a number of other organisations that provide frameworks, some of which are, unlike us, private sector, for-profit organisations. However, we have a plan in place to try to address the gaps.

It is quite hard to give you an exact avoidance figure in relation to whether people use things, but I can say that, whenever we put something in place, we use a cost avoidance figure of £12,500 per council. If councils were doing things themselves, we could probably have a look at what

the figures might look like, but I do not have a specific number—I apologise.

Max Bannerman: That is all right.

In your opening remarks, you talked about not having a specific mandate.

Julie Welsh: Yes, that is part of the issue, because there is choice. However, as I have said, there are sometimes good reasons for having choice. That is the rub when it comes to procurement—it is a fantastic lever for delivering policies, but the local imperative sometimes takes precedence over the national one. We have lived with that and have walked that tightrope since Scotland Excel was created, and we will continue to do so. However, I genuinely think that, through the work that we are doing on how we deliver our services, we will be able to increase uptake. That is certainly my intention.

Max Bannerman: I am interested in your view on this—I am not trying to coax you to give a certain answer. There is Scotland Excel, which serves local government; there is NHS National Procurement; there is Advanced Procurement for Universities & Colleges; and there is central Government procurement, which serves other areas of the public sector. Has anybody considered consolidating them? Is there duplication across those four organisations? Do you have a broad view on that? Would that be feasible?

Julie Welsh: Colleagues in the Scottish Government's procurement and property directorate are discussing and considering that. There are a number of ways in which procurement services could be structured that would work. That might be one of them, but, if all those organisations came together, local accountability might be lost.

Scotland Excel has been particularly successful with regard to community benefits and SME engagement, for instance. Indeed, SMEs make up 80 per cent of our suppliers. When we were set up, that was a pipe dream, because everybody was worried that only the big suppliers would be involved.

Moreover, 90 per cent of our suppliers pay the real living wage—that is how we have designed the system. Our committee is very focused; it wants the best price that it can get, but—and this brings me back to Naomi Mason's earlier point—it also wants the environmental and social benefits that go with that.

Merging those bodies would be one way of providing structure, but I worry that some of the local accountability might be lost. There might be other benefits from economies of scale, so there are pros and cons.

The Convener: Naomi, I know that that question was specific to Scotland Excel, but is there anything that you would want to reflect on in that exchange? You do not have to say anything, but this is an opportunity to add a comment, if you wish.

Naomi Mason: I have nothing to add. Thank you.

The Convener: I am interested in the £10 billion that local authorities spend each year. A lot of that will be fixed spend, such as schools, buildings, teachers and other workforce. Those are painted-in costs and not necessarily ones on which we can drive efficiencies. How much of that £10 billion spend would benefit from the national savings programme?

Julie Welsh: That is a difficult question to answer for the reasons that you have outlined. When we do the national savings work, we do consider everything, but we focus our efforts on recurring revenue savings. If you had a council finance director at the meeting, they would tell you that they need to find those sorts of savings. They still want savings in capital, but they are secondary. We look at everything, but we start with revenue and then move on to capital.

As far as the numbers are concerned, I am not sure what we can influence. We are still working our way through it.

The Convener: That is fine, but it might be of interest to the committee if you could give us an idea of what the full scope of the national savings programme could be. I have looked at the numbers that you gave and it seemed like you were able to extract roughly 2.5 per cent of the funds that you considered in savings to local authorities, if they took up those offers. That is quite a powerful headline percentage saving, but I do not know whether that amounts to £700 million, £1 billion or £2 billion. It would be helpful if that was mapped out.

You rightly mentioned that local democracy provided something different in relation to procurement. I know that Scotland Excel has some heft in its structures. Might there be a solution whereby local procurement ambitions could be fulfilled through Scotland Excel so that we could have a localised approach but still get the savings arising from going through the Scotland Excel framework?

Julie Welsh: One hundred per cent. We try to design national arrangements that work locally—indeed, we have been pretty successful at that. Everything that we do is intended to encourage that.

I do not think that I have answered your question.

The Convener: You have. I am not trying to trip you up or to get you to pick out individual local authorities, so please do not mention an individual authority—that is not the point of my next question. However, are there local authorities doing local procurement exercises that you at Scotland Excel think that you could carry out on their behalf and get the same outcomes while driving a better price?

Julie Welsh: Yes, that is the case. I hope that you saw in our written submission that we have a flexible procurement team. Councils come to us and ask whether we can do a procurement for them, because they do not have the resource, or ask us to give them a procurement resource. A bit of that goes on, but it is just not consistent across the piece.

There are gaps, in that some local procurements could still be done through national arrangements. We continuously talk to our customers in local government about areas where we could add value and try to seek a consensus about what we will deliver nationally versus what they will deliver locally. However, even with all of that, local organisations will still occasionally do their own exercises. That is a gap, and an efficiency loss.

The Convener: I am not asking you for a specific example from any specific local authority—after all, I get that you are building relationships—but do you want to give the committee any examples at all?

10:00

Julie Welsh: I am not going to name individual organisations, because you are absolutely right; these are my customers and, therefore, my bread and butter. However, I would say that new-build housing is an area—and an important area—where we have struggled to get the uptake that we would have liked. That said, it is getting better as a result of the work of the construction teams and others back at Scotland Excel.

There are other organisations that can come in and offer those services, and they can sometimes offer more. I am going to get into a wee bit of technical stuff—forgive me—but, with technical construction services, it can sometimes be complex to have call-offs against national arrangements or have a mini-competition, and the fact that some of our competitors do offer such services appeals to councils, particularly as they have lost that sort of expertise and resource over the years through retraction. Therefore, we are looking at how we can offer those services in order to bring them back. We are trying to get them to use us, instead of any of the other framework providers.

The Convener: That is interesting. We can explore later on whether Scotland Excel taking on additional services can drive further savings and benefit local authorities, although I think that that is what I am hearing.

Julie Welsh: Exactly.

The Convener: I call Alex Kerr. Thank you for your patience, Alex.

Alex Kerr (Hamilton, Larkhall and Stonehouse) (SNP): Thank you, convener.

That was an interesting discussion, and it leads on to the question that I was going to ask. You have already covered some of this, but I want to turn it on its head a bit. Are any procurement practices contributing to public funding being wasted, and if there are, how would you address them? I think that Julie Welsh has already touched on that. It is fine if you want to give us another example, Julie, but I will go to Naomi Mason first.

Naomi Mason: From what we hear, there are often issues with siloed working in local authorities, because of the capacity challenges. As a result, procurement teams and economic development teams do not necessarily talk to each other or, indeed, support each other in knowing what the local supply chain looks like to allow them to come in and access procurement opportunities. That might potentially be wasting time and resource, so enabling a bit more internal collaboration within those organisations would be useful.

As Julie Welsh has said, local knowledge is important. If we are talking about having the capacity to know your local market and to ensure that the local market knows what you are delivering and what is coming down your pipeline, these are real communication issues. There are opportunities to do that sort of thing more efficiently and to put in place better practices that would, as I have suggested, enable more local businesses and enterprises to access procurement opportunities.

Alex Kerr: That was interesting. In that case, might having a regional form of local government provide an opportunity to tie the economic development and procurement sides together in a stronger way?

Naomi Mason: Potentially. The flipside, though, is that you might lose that local connection. We have good evidence from the work that we did with FSB last year that shows that certain local authorities, some very small and some bigger, are already doing that sort of thing well. In answer to your question, the approach could work at regional scale, but there is always that potential danger.

Alex Kerr: I will bring you in, Julie, but it is okay if you feel that you have covered the question.

Julie Welsh: There is a point to be made about the benefits of the regional model, and it brings me back to my earlier point about what we are trying to achieve. If regional economic development is the goal, we will need to look at the issue regionally, but if what we are trying to achieve is standardisation and best cost, that will require a national arrangement. Again, it is horses for courses.

There is definitely an opportunity for us to work closer with our economic development colleagues. We regularly engage with the Scottish local authorities economic development group, which is the group for local government, but there is always room for improvement in that kind of collaborative working.

Alex Kerr: Absolutely. Protecting the community and that local element is an issue that has come through strongly from our witnesses and the folk to whom we have spoken.

With regard to procurement, the issue of artificial intelligence and automation is a topical one at the moment, and there is a lot of concern about guardrails. First of all, how are you ensuring that we are adopting that stuff in the procurement space in order to drive efficiencies and to support people in the front line of public services? Secondly, how are you protecting the public in that respect?

Julie Welsh: We see AI as an enabler for reform and for our work, but we are still at the very early stages of working out what it can do. We had a staff event a couple of weeks ago at which staff members talked about how they have managed to automate parts of the procurement process; that is fantastic news to me, because it means that we can free them up to engage with the supply chains, understand their market better and all of that. For me, it is all about trying to take out some of the admin, because there is a lot of that in public sector procurement.

There are real opportunities here, but I also share your concern about the risks, and we are working hard to ensure that staff have access to what they need and are not using other search engines. We want to keep our data protected; obviously, Scotland Excel has a lot of commercial data, and we cannot afford the risk of any data getting out beyond the organisation. We have been working on an AI strategy, which we are ready to bring along to our committee; we have also been doing a lot of training with our staff and have been looking at accreditation around cyber security, too.

Although I do see AI as an enabler in reforming what we do, we are certainly putting those guardrails in place. We have seen the challenges that arise if you do not.

Alex Kerr: Actually, the Parliament is going to be discussing cyber security this afternoon. It would be interesting to hear more about how you are approaching the issue when you publish your report on your AI strategy.

Julie Welsh: Of course.

Alex Kerr: Naomi, do you have any thoughts to add on AI in the procurement space?

Naomi Mason: I have nothing to add.

Alex Kerr: No bother at all—thank you.

Do I have time for one more question, convener?

The Convener: Yes.

Alex Kerr: Thank you. You have talked about capacity to deliver things in the public sector procurement space. How do you evaluate the workforce's ability to maximise the opportunities that procurement can bring to the public service reform agenda at this point? I will start with Naomi.

Naomi Mason: Can you repeat the end of your question?

Alex Kerr: Yes. What ability does the workforce currently have to maximise the opportunities that will come as a result of the public service reform agenda?

Naomi Mason: I will start with some anecdotal evidence, if that is all right.

Alex Kerr: That is perfect.

Naomi Mason: It is not, strictly speaking, wholly on procurement, but I am going to go with it anyway.

Last week, I was delivering some workshops as part of a project on in-work-progression that we are doing, funded by the Robertson Trust. It is all about employability and recognising that people can be in work but still be in poverty, and the workshops involved people in the public sector—from local authorities, the national health service and Skills Development Scotland—as well as people from the private sector and the third sector.

The issue of public service reform came up in every single one of those workshops, and, to be honest, I would say that there was, in the main, real fear and nervousness. There was, for example, fear and nervousness about whether some of those organisations would still exist at the end of our project. Will those roles still exist, and will the people be able to deliver what they are setting out to deliver right now?

One piece of work that we are looking at relates to business and admin staff stream. There is a sense of fear in that workforce, which predominantly comprises women, that they will be

made redundant and that their roles will not be essential in future.

I just wanted to make that point, because we need to acknowledge that this agenda, how it is being approached and potentially the speed with which it is being discussed are causing nervousness. I worry that that will stop some of the excellent delivery that is happening in our communities through our public and private sectors to tackle the big societal challenges that we face. If you are worried about your job, you are probably not going to put everything into what you do, because you will be constantly thinking, "Should I be looking for another job?"

I know that that does not quite answer your question, but I thought that I should make the point now, because this is affecting capacity, and it will affect the capacity of the public sector and the partners that it works with to deliver.

Alex Kerr: It was helpful to hear that. As we embark on this work, it is important that we hear about the challenges in relation to the up-front effects on folk in the system.

Julie Welsh: We have great ability in procurement across Scottish local government, due to years of professionalisation following John McClelland's report in 2006, but we do have a challenge with capacity. There is a shortage of procurement professionals, and all sectors are fighting in the same pool to get the ones who are out there.

The people we have are very good and knowledgeable, and they can deliver the agenda that is being developed; however, the bigger challenge relates to capacity. We talk to our procurement colleagues in councils pretty much daily, so we know that most councils are struggling to deliver their contract delivery plans as it is, without having to find a way of supporting an additional agenda. I can see that being a bit of a problem and a sticking point.

Alex Kerr: If we consider the workforce reduction targets as part of that, could that affect our ability to deliver some of our priorities?

Julie Welsh: That is always the case in any profession, but it is an interesting question. Coming from a local government background, I know that councils have been reducing their workforce for many years through voluntary redundancy schemes, retirement and so on. That approach has been successful in reducing numbers and costs, but it comes at the cost of losing great people with knowledge.

Scotland Excel is an SME in number—we are not a big organisation—but, interestingly, we have been gradually and organically growing over the past 12 to 15 years. At such times, when our

customers are under pressure, are struggling for resources and are needing to find savings, we come into our own. The sad fact is that the harder things are, the more work we have to do. We are growing—though not at any great speed—in response to demand from our customers, so our outlook is a bit different.

Alex Kerr: That was very helpful.

Joe Fagan (South Scotland) (Lab): Thank you for providing that reality check on public service reform and on what is being experienced in communities and public services. It is so important that members of the Parliament hear that anxiety and that our debates in the chamber connect with the reality of what is happening in public services.

I refer people to my entry in the register of members' interests. I am still a serving councillor, and, at one point, I chaired a community wealth building commission.

I want to come back to Lorna Slater's point about legislation, which both witnesses mentioned. Over the past 15 years, the Parliament has considered procurement reform legislation, and the Community Wealth Building (Scotland) Bill became an act this year. What are your thoughts on where we are in relation to legislation? What difference should the most recent legislation make? Are there any gaps that the Parliament should try to address in order to connect community wealth building and procurement to the wider public service reform agenda?

Naomi Mason: I am excited about the potential of the 2026 act, which is groundbreaking and world leading, but I am worried that it might get lost in public service reform and not achieve its full potential. I should point out that the act's commencement date was 1 October, so we are in the early stages. There is still 18 months until we get the statement from the Scottish Government and guidance for our local authorities, so, although we know what is set out in the act, there is still a lack of granular detail. I am a glass-half-full kind of person, so I hope that the act provides an opportunity for us.

If we embed it while we do reform, keeping the outcomes that we are trying to achieve—which, I hope, are about having a fairer economy, having more opportunities for everybody, and tackling some of our big issues, such as child poverty and poverty more generally—really clear in our minds, the act can be a real catalyst for change, and the public service reform agenda will enable it rather than hinder it. However, there is, of course, a risk.

10:15

The act speaks to many other pieces of legislation. I touched on procurement but,

obviously, it speaks to our Community Empowerment (Scotland) Act 2015, our land reform agenda and many other pieces of legislation. If we are saying that community wealth building is a real goal for Scotland, perhaps we need to have a little check that all our other legislation supports and enables it in the round.

Julie Welsh: The question is interesting, because local government and Scotland Excel have been at the forefront of community wealth building for at least the past 15 years and we were doing a lot of the stuff that is required before the legislation. It is positive that community wealth building is now in law and that we all need to think about how the strategies that we put in place will impact our local communities.

There is a risk because of the varying policy drivers that procurement is used to deliver. If you want the best costs, you will probably not get the best environmental or community wealth building outcome. You might get a balance of all three. That is how we try to approach the matter. At the start of everything that we buy, we think about what the top three priorities are that we need to deliver. Sometimes it is saving money. What is next? Is it the environment? Sometimes, the environment comes first, and sometimes it is community wealth building.

We always consider community wealth building. My worry for us and our colleagues in local government is that those things come at a cost sometimes—not all the time—and that could be a tension when you are driven to try to save money. We, at Scotland Excel, and our colleagues in local government need to be mindful of that.

Joe Fagan: One of my observations is that local government as a buyer has got better at shifting procurement locally, but I am pretty sure that we have not been as good at developing the wider ecosystem of a plurality of ownership models. Is that a fair reflection? Do you have any thoughts on how we build more diversity and resilience into a local economy on the back of procurement?

Julie Welsh: That is a real challenge. Of the £10 billion that local government spends annually, £3 billion is spent directly with suppliers in their local areas, and that figure does not include subcontract costs, so councils have been pretty good at that. If you look at the statistics from a number of years ago, you will see that they were much lower. There has been a real focus on local procurement, which has increased the diversity of the suppliers and supply chains that we use. There is, without doubt, always room for improvement, but we have come a long way.

Naomi Mason: To pick up on Julie Welsh's point, we face budgetary pressures and cost can be the overriding factor. However, I come back to

my earlier point that you are buying not only a service but wider public social and environmental benefits, and you are moving away from short-term thinking and recognising that procurement can have value in the longer term or on a wider scale.

I know that that does not help when you are managing your budgets, but there is a need to acknowledge that what we buy can have longer and wider outcomes. The research that we have done on the impact of community wealth building in places shows that it can have positive outcomes for people's health, wellbeing and life expectancy. Those are not little things; they are important.

To answer your question, Mr Fagan, there is a real danger that focusing on just the numbers would open us up to more extractive business models. In our recent research on the care sector in parts of England and Wales, we saw the rise of not only for-profit organisations but large, multinational private equity firm-owned organisations in the sector, where the profit does not stay in the local economy or even in the UK but drifts away into tax havens. I want us to have a conversation about some of our essential services, where we want our money to stay and how we want it to be used.

I am sorry; I will get to the end of my answer. There has been some great work on growing more inclusive and democratic business models, but we need to ramp it up and scale it. We need Business Gateway and other agencies that are out there and engaging to put everything on an equal playing field so that, if I go to them and say that I want to set up an organisation, the response is not just, "Oh, yeah, you're going to be a regular business," but a conversation. That conversation could be about whether someone has thought about a co-operative model; about how, when the organisation is reaching the end of its lifespan, or when family are infirm and the business owner is considering retirement, the organisation can transition to employee ownership models—that is the rewinding of the economy that I was talking about, to make it a bit more resilient.

Joe Fagan: What is the potential for insourcing to save the taxpayer money and get better outcomes? You might have seen the written evidence that Unison submitted on that. There are some weighty figures attached to the level of wealth extraction from public services. If we accept the principle, how can we capture more of the value and retain it in our public services? Do you have any thoughts on how to develop that insourcing agenda?

Naomi Mason: We need to start measuring and understanding it. We work in lots of places and with lots of organisations. We do spend analysis and extraction analysis. Sometimes, organisations

do not even know what they are spending and extracting because lots of people are procuring lots of services and it is not necessarily a joined-up conversation about where those organisations are based, where the money is going and how we can think about that.

A degree of baselining needs to happen as an initial step so that we know the scale and the opportunity. Wales has taken a legislative approach to remove the private sector from certain parts of its care sector. That has had huge challenges, and we would need a more nuanced approach.

However, there are opportunities to build on what we are seeing and on the conversations that we have been having across the UK about knowing your local supply chain. They include instilling at an organisational level the message that we want to support our local SME to be able to upscale and be able to take on more work; that we want to support the co-operative that is already delivering some services to move into other areas; or that we are looking for a collaboration approach and are wondering, for example, how we can get more consortium bids to come in when some of the larger organisations are able to just swoop up contracts.

Joe Fagan: I have a slightly different question for Julie Welsh. It is about the efficiency that Scotland Excel can provide from having buying power at scale. Although you started with a point about a mandate, Julie, it was an observation about the reality, and, in response to questions, you have made the point that there are benefits in having different approaches, particularly in care. That spoke to me, as somebody who led a council.

Do you have any thoughts on how you might be able to enhance Scotland Excel's buying power? You talked about associate members, for example. Are there other parts of the public sector where you could pool resources to enhance your buying power? Is that even limited to the public sector in Scotland? Would you be able to take approaches in other parts of the UK as well?

Julie Welsh: We could do more to enhance our buying power. Part of that is to do with the model that we use to procure. Having run a council, you will know that we generally put in place open, inclusive frameworks, and councils use what they need from them. That is not always the most cost-effective way to procure things, as you are not making any commitment to the marketplace, so a different model of procurement might give us better results and allow us to better balance the varying policy drivers that we are trying to balance.

We are in discussions with the other centres of expertise where there is duplication of effort. In fact, I will soon meet colleagues at Public Services

Delivery Scotland, which was previously known as National Procurement—forgive me if I have the terminology wrong, because it changed recently. We do some of the same things and are meeting to discuss what would happen if we were to bring the commodity together and do the work once, and whether we are able to do that.

The work is about food in schools, so there are strict requirements, and there are different requirements in hospitals and care homes. We are having the conversations that would allow us to increase the economies of scale. Associated membership helps, and a number of health boards and Government organisations also use our arrangements. In considerations about our future, we are thinking about whether the framework approach is right for everything that we buy, or whether we could drive more value through a different approach.

Lorna Slater: Do you have any detailed thoughts on how we can use public service reform to bring about community wealth building? There is an opportunity there. The Community Wealth Building (Scotland) Act 2026 was more about asking local authorities to sit down nicely with other bodies, although getting people around the table is important. We have talked a lot about procurement with regard to public service reform, but that is only one element of it. What else do we need to be looking at in public service reform to ensure that community wealth building is happening?

Naomi Mason: I have many thoughts—I will try to be succinct.

Employment is a huge part of it, and there could be changes to employment pathways through public service reform. In the work that we have been involved in in other parts of the UK, there have been great examples of how public services have reformed their practices to enable more people to access employment, albeit not at scale.

For example, the NHS in Birmingham has adopted the “I Can” model, which has taken away the barriers to getting an entry-level job in the NHS and has opened pathways, rather than specific roles. That work has enabled people in more diverse or deprived communities who normally would never have had access to those kinds of roles to have NHS jobs. The wealth that they draw from a secure, stable income is reaching families as well as communities and has helped to raise people’s aspirations about what is possible.

There is a real opportunity to have conversations about what the land and property in the public estate is for and what value it gives us: they are our public land and public assets, so how can we ensure that they give the most back to our people and our places? There is so much potential. It may be about using the land for

renewable energy assets to drive wealth into our local communities or to enable community ownership of those assets.

We have also touched on democratic ownership of the economy and different business models in our discussion about procurement, which speak to each other really nicely. If we agree that we want more of those things in our economy, we need to consider how we use public service reform as an enabler for that.

There is an opportunity to tie the two agendas together, without losing the ethos of community wealth building. Community wealth building is not just a tool to enable procurement to be done a bit differently or to enable us to restructure our local government organisations or health boards; it is about saying that we want a fairer economy that works for our people and places. That is one of the outcomes I want to see through this work, and I would want us to be instilling it at the heart of the agenda as it progresses.

I do not know whether that answers your question.

Lorna Slater: That is helpful.

Julie Welsh: As you would expect, I have a procurement-related example—thank goodness Naomi Mason is here to widen the agenda. It goes back to my earlier point about considering what your policy driver is and what you are trying to achieve. We are in discussions with an organisation south of the border about how it comes together with others as a regional geography to commission care services and some of the successes that it has had in doing so, working closely with local providers and agreeing up front what both sides will achieve and what the outcomes are. It has been quite successful in achieving a cost reduction, because the providers have a level of commitment that they do not always get.

10:30

To me, there is a real opportunity in that area, particularly in care services, to consider whether a geography is the best basis on which to come together. What is the key requirement for that particular care service, and how can it best be delivered? Currently, our role is to put in place national arrangements, which are not always the right answer to that question. That is why we are seeking evidence and good examples from elsewhere to see what we can do differently. There is a real opportunity not only to do things more cost effectively but to provide better care and more surety for those providers at the same time. We have a real opportunity to do some of that work a bit differently.

Lorna Slater: Thank you.

Murdo Fraser (Mid Scotland and Fife) (Con):

Good morning. I want to follow up on some of the questions that have been asked about community wealth building and its impact. One concern that I have heard expressed by small and medium-sized businesses over many years is that they cannot get what they view to be a fair share of local contracts. In fact, this week, I received communication from a small construction business in Fife saying that it is very frustrated because it never wins any contracts from the council, which is an issue that I will pursue.

When we were dealing with what is now the Community Wealth Building (Scotland) Act 2026, in the previous parliamentary session, I lodged amendments at stage 2 to require all public bodies to set a target for procurement with local businesses. Lorna Slater, who was also on the Economy and Fair Work Committee, very helpfully supported my amendment, which was then agreed to by the committee and became part of the bill. That provision is helpful, but my concern is how it interrelates with the public service reform agenda. If we are moving from 32 local authorities to potentially as few as six regional authorities, what does that mean for the ability of small and medium-sized businesses to access such contracts? For example, if Fife ends up being put in with Edinburgh and the Lothians or with Tayside and Stirling, will Fife businesses not have even less chance of accessing those contracts, because they will be part of a much bigger regional authority area? I am interested to get your thoughts on that.

Julie Welsh: We are an example of how SMEs can get business through national arrangements, and if they can do so through national arrangements, they can do so regionally. We have 830 Scottish suppliers on our frameworks, and that is by design because we are an organisation that is governed by 40 elected members who are very clear that they want local businesses to get those opportunities. I appreciate that the task can sometimes be daunting, but there is plenty of support for suppliers to engage with us and take part in such exercises.

I believe that the opportunity will still be there. We might need to provide additional support to some suppliers and providers—I think that some of that is available through the supplier development programme and other things—but we need to listen again to what the challenges are for the suppliers that are trying so hard to get those contracts and see how we can address some of those challenges. I actually think that we have come a long way on that.

To go back to your original point, we are a good example of how making structures bigger does not

necessarily exclude smaller suppliers from our supply chains.

Murdo Fraser: Thank you for the answer, but my question is specifically about the target under the Community Wealth Building (Scotland) Act 2026.

A very small council such as Clackmannanshire Council might say, “We will set a target that 25 per cent of our contracts must go locally.” Therefore, quite a small pool of businesses in Clackmannanshire would say, “That’s great—that’s an opportunity for me.” If Clackmannanshire is swept into a much bigger regional area, a Clackmannanshire business might have to suddenly compete for business with people in Stirling, Dunfermline, Perth or Falkirk. Such businesses will inevitably find it tougher.

Julie Welsh: That is a valid point that we need to be mindful of. A few years back, when we worked with Clackmannanshire Council, it was always very focused on community wealth building and on buying from its local suppliers. The bigger issue for it was matching the things that it bought with its actual supply chain. It was hard for it to increase those numbers. Therefore, a change might be an opportunity for suppliers to supply beyond their own council areas.

We have a fish supplier in Aberdeenshire that got business worth a couple of million pounds a year through our food framework. More importantly, it now provides the main distributor with all its breaded haddock products for the UK. Upscaling is an opportunity, and the regional agenda might be an opportunity, but we need to be mindful of the unintended consequences. If we have gaps—and clearly we do because you still have suppliers contacting you—let us think about how we fill them and about the risk that a new regional model might pose to a small supplier in Clackmannanshire.

Naomi Mason: We still do not know the detail of what might happen and whether community wealth building action plans will sit at the regional level or at the community level. There is probably an opportunity but also a risk.

In our work with FSB last year, we found that the word “local” can be a real challenge because most businesses do not actually work based on local authority lines. There might be an opportunity to look at procurement on a regional scale as well as on a community scale. Perhaps there is an opportunity for us to enable some local development and ensure that our local suppliers are enabled and supported, because capacity is an issue for them. We need to acknowledge that it is really hard to take time out of a very busy day running your organisation to attend a supplier development workshop or to understand how to

get yourself tender ready. However, I hope that there might be an opportunity to then look at how our organisations work regionally. There might be something there.

Murdo Fraser: The crucial point that you made is that we simply do not know at the moment and need to wait and see, first, what structure local government will end up with and, secondly, to what extent the Community Wealth Building (Scotland) Act 2026 will apply.

The Convener: Thank you, everyone. That is almost the end of our evidence session. I have not had the chance to share this with the committee yet, but following Naomi Mason's comments about public service reform and workforce concerns, I take the opportunity to put on the record that there was a Conveners Group meeting yesterday with the First Minister. I was there on the committee's behalf, and I asked specifically about the no compulsory redundancies policy and put on the record that the workforce sits at the heart of what any successful public service reform looks like. You would expect the First Minister to agree to that, but, as a committee, we have to scrutinise what it means in practice. I put that on the record before we close the public session because the point chimes very much with what Naomi Mason said and with what Mr Fagan asked in his line of questioning.

I thank Julie Welsh and Naomi Mason for their attendance this morning. I have certainly learned something from this session, and it has given me ideas about how we progress further scrutiny in this area. With that, we will move into private session.

10:38

Meeting continued in private until 12:02.

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