

## Submission from Scottish Water to Economy & Fair Work Committee

27 February 2024

Thank you for giving Scottish Water the opportunity to provide a written submission in advance of the evidence session on Wednesday 6<sup>th</sup> March. We thought it would be helpful to provide the Committee with an overview of procurement at Scottish Water.

Scottish Water is a publicly owned company that provides vital water and wastewater services to 2.62 million households and more than 159,000 business across the whole of Scotland. We are the fourth largest water and wastewater service provider in the UK and, at circa £1.1 billion in turnover, one of Scotland's largest businesses. Our investment programme is one of the largest infrastructure programmes in Scotland – delivering the vital assets that enable us to maintain and improve services people depend on every day and supporting growth and development in Scotland's communities.

Every day we deliver 1.51 billion litres of clear fresh drinking water to customer taps and remove 1.07 billion litres of wastewater to help protect the natural environment. We are responsible for an estimated £92.5 billion in assets, and this include: 229 water treatment works, 30,515 miles of water pipes, 1,838 wastewater treatment works and 33,691 miles of sewer pipes.

### About Scottish Water's Procurement Supply Chain

Scottish Water spends around £1 billion per year buying goods and services and procuring works. Our Procurement and Integrated Supply Chain Management activity has a critical role in delivering significant benefits and value for money.

From a regulation perspective, Scottish Water is covered by The Utilities Contracts (Scotland) Regulations 2016. We use the Negotiated Procedures across the majority of our procurements, along with Innovation Partnership.

### Key Facts About Scottish Water's Supply Chain

- Scottish Water's £1 billion spending with our supply chain last year included roughly £670m in capital spend and £370m in operational spend. This includes procuring items such as chemicals, infrastructure, civil and construction materials, contractor services, fleet and equipment, etc.
- We have circa 430 core framework partners across 190 frameworks and circa 500 wider ecosystem suppliers providing localised and specialist services.
- We are supporting over 3,000 supply chain jobs including 1,300 apprentices and graduates.
- 75% of Scottish Water's supply chain has businesses with locations in Scotland and 90% of our spend is with suppliers with a Scottish base (circa £779million).
- 70% of Scottish Water's supply chain are classed as SMEs and circa 40% of our spend is with suppliers that are SMEs.
- 95% of invoices are paid within 30 days.
- All of our suppliers pay, as a minimum, the Real Living Wage and this is verified through sample ethical audits by Scottish Water. Scottish Water also engages with its supply chain in terms published statements and commitments, for example in relation to Modern Slavery.

## Supply Chain Engagement

Scottish Water provides its key partners with easy access to framework information via a supply chain portal, which has 3,700 viewers and has been visited around 172,000 times.

This provides access to key information, ranging from training, carbon reduction, support with standards and specifications, and appropriate access to framework pricing, as well as a means for suppliers to submit monthly reports, insurance documents, modern slavery declarations etc.

Scottish Water currently use Scottish Government's PECOS for catalogues, with around 430 catalogues and 24,500 items on the catalogues. Our key supply chain partners have access to the catalogue content based on the frameworks they require access to.

## Procurement and Supply Chain Challenges

Some of the challenges we see in procurement and supply chain include:

- The availability of skills and capacity in the Scottish marketplace to cover increasing levels of investment anticipated in the Energy, Transport and Water sectors and the drive to achieve Net Zero.
- Mergers and acquisitions are consolidating the competitive options available for procurement teams and there is a need to consider how to support the growth of other businesses and to attract businesses to Scotland.
- Inflation and risk appetite continues to put pressure on the market, potentially reducing purchasing power over time as bidders reconsider their risk profiles and insurance costs increase.
- A divergence in procurement regulations across the UK marketplace may impact on the attractiveness of the marketplace.
- From a global perspective, geo-political instability and conflict continues to impact on costs, lead times and availability.
- Ethical issues (such as Modern Slavery) create challenges for senior leaders between seeking carbon reduction and sourcing products and materials.
- Embodied Carbon reduction remains a challenge as global manufacturing can have differing priorities and timescales.

## Additional information about Scottish Water's Procurement

Scottish Water has been awarded platinum accreditation status by The Chartered Institute of Procurement and Supply (CIPS) (in 2015 and reaccredited in 2018 and 2021).

This year, we also ranked number 1 in an annual survey conducted by British Water on water and wastewater company performance where contractors, consultants and suppliers rate their clients' performance in 12 areas (including procurement, innovation, professionalism, contractual approach, and communication).

Scottish Water's procurement team are members of various groups, such as: Selectus Online (a collaborative group of utilities in the UK), Achilles (supply chain audits for Health and Safety additional independent verification) and Slave Free Alliance as part of the Utilities Against Slavery.

We take professional development very seriously, as well as supporting graduate schemes – currently 39% of our procurement staff are chartered and 45% have associate membership of professional bodies.