

Finance and Resources Committee

10am, Tuesday, 18 November 2025

Procurement Reform (Scotland) Act 2014 – Threshold Consultation

Decision/Scrutiny Wards	Decision All
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1. Recommendations

- 1.1 Committee is asked to approve the Council's draft response to the Scottish Government's consultation on the Procurement Reform (Scotland) Act 2014 thresholds, as set out in Appendix 1 and authorise the Executive Director of Customer and Corporate Services to submit the final response to the Scottish Government by the consultation deadline of 8 January 2026.

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Procurement Reform (Scotland) Act 2014 – Threshold Consultation

2. Executive Summary

- 2.1 This report seeks Committee approval for the Council's draft response to the Scottish Government's consultation on proposed changes to the Procurement Reform (Scotland) Act 2014 thresholds. The consultation proposes increasing the financial thresholds for regulated procurements and refining the duty to consider community benefits at lower financial thresholds.
- 2.2 The Council's draft response supports proportionate changes that simplify procurement processes, promote opportunities for local suppliers and align with the Council's Sustainable Procurement Strategy and Community Wealth Building commitments.

3. Background

- 3.1 The Scottish Government has launched a consultation on the proposed changes to the Procurement Reform (Scotland) Act 2014. The consultation follows the Scottish Parliament's Economy and Fair Work Committee review of the Act and the development of the Community Wealth Building (Scotland) Bill which the Council previously fed into.
- 3.2 The consultation seeks views on:
 - 3.2.1 Increasing the regulated procurement thresholds (currently £50,000 for goods and services and £2 million for works); and
 - 3.2.2 Strengthening and clarifying the duty to consider community benefits in public contracts.
- 3.3 The review reflects that inflation since 2014 has reduced the real value of the current thresholds, and that local authorities have demonstrated mature and responsible procurement practices that already incorporate sustainability and Community Wealth Building principles.
- 3.4 The proposed changes align closely with the Council's own Sustainable Procurement Strategy (2025–2030), which commits to:

- Supporting local SMEs, third sector organisations and social enterprises
- Promoting fair work and ethical supply chains
- Reducing environmental impact through shorter, more resilient supply chains; and
- Using procurement to deliver inclusive growth and community wealth.

4. Main report

- 4.1 The Scottish Government's consultation proposes raising the thresholds that determine when procurements fall under the Procurement Reform (Scotland) Act 2014. The indicative figures suggest options of increasing the goods and services threshold to £70,000, £100,000 or keeping them at the current £50,000, and the works threshold to £2.8million, £4 million or keeping them at the current £2million.
- 4.2 The impact of increasing the procurement threshold is to allow more flexible simplified processes below the regulated level which would nevertheless be subject to the duty to secure best value.
- 4.3 Analysis of the Council's procurement activity indicates that approximately 4 (5.5%) regulated contract notices for goods and services had a total value of £70,000 or less. For a threshold of £100,000 this increased slightly to 6 (8.2%) contract notices published in the previous two financial years. The Scottish Government estimates nationally that increasing the threshold to £70,000 and 100,000 would mean around 7.1-7.3% and 13.5% respectively of current regulated contracts would no longer fall under the Act's requirements. This would allow Council resources to be focused on higher-value, higher-risk procurements, without reducing transparency or competition for smaller contracts.
- 4.4 For works contracts, an increase to £4 million would have a very limited impact, potentially affecting only a very small number of contracts. National figures suggest that only around 2% of contracts across Scotland would be affected at this level and analysis of the Council's procurement activity in the previous two financial years shows no Council works contracts would fall below the regulated levels if thresholds were increased to £2.8million or £4million from the current £2million.
- 4.5 The Council's proposed response (Appendix 1) supports an increase in thresholds to modernise the Act, reduce administrative burden, and enable more proportionate and flexible procurement processes. These changes would support the use of Quick Quotes, direct awards (where permissible and in line with best value considerations), and other simplified procedures — encouraging participation by local SMEs, third sector and consortia.
- 4.6 The response also supports updating the duty to consider community benefits, proposing that it should apply "where proportionate and reasonable" rather than being limited by monetary value. This aligns with the Council's established

approach, where community benefits are routinely embedded in contracts above £50,000 and integrated into quality evaluation criteria.

4.7 The Council's response has been framed to reflect:

- **Alignment with the Sustainable Procurement Strategy**, which emphasises Community Wealth Building, fair work, and climate action
- **Evidence-based local practice**, showing that community benefits are already mainstreamed into procurement processes and
- **Proportionality**, ensuring that procurement rules remain efficient, transparent, and supportive of smaller suppliers.

5. Next Steps

5.1 If approved the Council's consultation response (Appendix 1) will be submitted to the Scottish Government by 8 January 2026. Any subsequent legislative or regulatory changes will be incorporated into the Council's Contract Standing Orders and supporting procurement guidance.

6. Financial impact

- 6.1 No immediate financial implications arise from this report.
- 6.2 Raising thresholds may deliver efficiency savings by reducing administrative effort on low-value procurement and allowing focus on higher-value, higher-risk contracts.
- 6.3 There are no anticipated subsidy control issues or budget pressures arising from the proposed response.

7. Key Policies

Equality and Poverty

7.1 This report relates to a consultation and has no direct equality or human rights implications. The Scottish Government will undertake a full impact assessment before implementing any legislative changes.

Climate and Nature Emergencies

7.2 The proposed threshold changes places greater emphasis on local supply chains and is consistent with the Council's Climate and Nature Emergency Declarations, supporting shorter, more sustainable supply routes, reducing emissions from transport and logistics where local businesses can be used and minimising climate related disruptions.

Environmental Impacts

- 7.3 For the reasons in 7.2 proposed change in thresholds may create opportunities for positive environmental impacts

8. Risk, compliance, governance and community impact

- 8.1 The primary risk is that higher thresholds could reduce oversight of some lower-value procurements. This will be mitigated through continued adherence to the Council's Contract Standing Orders including internal procurement controls such as the requirement that CPS make arrangements for contracts above £25,000 and the publication of below-threshold contract information as good practice
- 8.2 There are no immediate governance, compliance, or regulatory implications associated with this report.

9. Background reading/external references

- 9.1 [Scottish Government Consultation: Procurement Reform \(Scotland\) Act 2014 – Threshold Review \(2025\)](#)
- 9.2 [City of Edinburgh Council Sustainable Procurement Strategy 2025–2030](#)
- 9.3 [The City of Edinburgh Council's Draft Community Wealth Building Plan, Policy and Sustainability Committee, 27th May 2025](#)

10. Appendices

Appendix 1 – Consultation response form

1. Which is your preferred option in relation to the Act's goods, services and works thresholds?

- ☐ Option 1: Threshold values remain unchanged, e.g. £50,000 for goods and services and £2 million for works.
- ☐ Option 2: Inflation-linked threshold values, e.g. £70,000 for goods and services and £2,800,000 for works with these thresholds being revised every two years to reflect inflation.
- ☒ Option 3: A bigger increase, e.g. £100,000 for goods and services and £4 million for works. Please note that under this option these thresholds will not be amended every two years to reflect inflation.
- ☐ None of the above

2. What are your reason(s) for your answer to question one?

The City of Edinburgh Council would welcome an increase to threshold values to which the Procurement Reform (Scotland) Act 2014 applies. This would align with the Council's Sustainable Procurement Strategy and Community Wealth Building approach. Both our own experience and feedback from recent public consultations indicate that simplifying procurement processes is essential to supporting local businesses, SMEs and the third sector.

Under current arrangements, the regulated threshold of £50,000 for goods and services applies to many contracts that run for several years. As a result, the annual value of a regulated procurement may be as low as £12,500 for a typical four-year contract. The associated procurement processes can be resource-intensive and time-consuming for both the Council and suppliers, often leading to the use of larger-scale contracts or frameworks to address capacity issues.

Raising the thresholds, while continuing to observe the statutory duty to secure best value, would provide greater flexibility to use Quick Quote or, where appropriate, direct award procedures. It would also allow simpler terminology, shorter timescales and more proportionate processes. These changes would open up additional opportunities for small local firms, third-sector organisations and new market entrants including collaborative opportunities and reduce the administrative burden for all parties.

The Council's Contract Standing Orders already promote inclusion of local SMEs:

"Where legally permissible the Council shall seek to ensure that for purchases or contracts of an estimated value of less than £50,000 at least one SME from the City of Edinburgh, or an SME that is a significant employer within the City, is invited to tender. For future repeat procurements for similar goods, services or works the Council shall seek to ensure that at least one new SME from the City of Edinburgh or a new significant employer within the City is invited to tender."

This approach demonstrates our ongoing commitment to supporting local economic growth. The Council is also committed to continuous improvement in tender processes and increasing SME and third-sector participation. Transparency and constructive feedback to unsuccessful bidders remain crucial to that improvement. While it need not be a legal requirement below the new thresholds to provide feedback or publish award information, this could be reinforced through good practice guidance, ensuring continued openness and supplier development.

The sustainable procurement duty is central to achieving the Council's strategic objectives and to delivering economic, social and environmental benefits for Edinburgh. These considerations are now embedded as standard practice in all procurement activity and could similarly be addressed through strengthened guidance accompanying any threshold changes.

In summary, increasing regulated procurement thresholds would support a more proportionate, efficient and inclusive procurement regime, consistent with local and national commitments to sustainable and community-focused economic growth, while maintaining transparency and best-value principles through appropriate guidance and local policy measures.

3. Which is your preferred option in relation amending the community benefit threshold?

- ☐ Option A: Threshold values remain unchanged at £4 million
- ☐ Option B: Threshold value is reduced to £3 million
- ☐ Option C: Threshold value is reduced to £2 million
- ☐ Option D: Threshold value is reduced to £1 million
- ☒ None of the above

4. What are the reason(s) for your answer to question three?

The City of Edinburgh Council has embedded the requirement to consider the inclusion of community benefits in contracts over £50,000 since 2017. In practice, many tender evaluations already include community benefits as a scored quality criterion, assessing the bidder's approach to delivering community benefits which support social, environmental and economic value. This reflects the Council's Sustainable Procurement Strategy, which places Community Wealth Building, fair work, and net zero outcomes at the heart of the Council's procurement activity.

The Council supports a statutory duty to consider and, where proportionate and reasonable, include community benefits in relevant procurements. This would mirror the approach taken in the sustainable procurement duty, ensuring that community benefits are meaningfully addressed without creating disproportionate burdens for lower-value contracts or third sector suppliers. The focus should be on outcomes and impact rather than on process or administrative compliance.

Experience across local authorities demonstrates that councils take community benefits seriously, and that the legislative intent has matured into standard good practice. A specific monetary threshold is therefore not essential to drive compliance. However, if a threshold is retained, the Council supports its reduction to £1 million, ensuring that community benefits become an expected element of most public contracts and that suppliers are familiar with these requirements.

Consistent with our Sustainable Procurement Strategy, the Council continues to encourage suppliers to deliver measurable community benefits such as local employment, skills development, fair work practices, support for SMEs and the third sector in the supply chain, and actions benefiting biodiversity environment and nature-positive behaviour change. The Scottish Government could reinforce these outcomes through updated guidance and proportionate reporting, rather than new legislative requirements, to ensure flexibility and innovation in delivery.

In summary, the Council supports strengthening the community benefit duty so that it requires proportionate consideration and inclusion in all relevant procurements and aligns with sustainable procurement principles and national ambitions for a fair, green and inclusive economy.

5. Is there anything else you want to tell us about the goods, services, works or community benefit threshold of the 2014 Act?

The Council supports continued collaboration between national and local government in developing accompanying guidance and reporting frameworks, ensuring that future regulations are proportionate and adaptable to different sizes of organisations.