**Procurement Strategy,**

**Annual Procurement Report and Annual Report on Procurement Activity in Scotland**

**Best Practice Guidance**

This document provides information on putting together a procurement strategy, including reference to what must be included as required by the [Procurement Reform (Scotland) Act 2014](http://www.legislation.gov.uk/asp/2014/12/part/2/crossheading/procurement-strategy-and-annual-report). This best practice guidance should be read in conjunction with this Act and the [Guidance under the Procurement Reform (Scotland) Act 2014](http://www.gov.scot/Resource/0049/00496919.pdf).

**Procurement Strategy**

A procurement strategy allows an organisation to articulate a strategic focus for its procurement activities and an overview on how it will meet its aims and objectives and deliver value for money, including how the organisation intends to carry out its regulated procurements for the year ahead.

Section 15 of the [Procurement Reform (Scotland) Act 2014](http://www.legislation.gov.uk/asp/2014/12/part/2/crossheading/procurement-strategy-and-annual-report) requires any public organisation, which has an estimated total value of regulated procurement spend of £5 million or more (excluding VAT) in a financial year, to prepare and publish a procurement strategy. The period the procurement strategy covers can be defined by the organisation e.g. 3 years, 5 years, etc.

If an organisation has not prepared a procurement strategy and it becomes apparent its spend on public contracts is likely to exceed the £5 million threshold, it must prepare a strategy as soon as is reasonably practical.

Where an organisation has an existing procurement strategy, there will be no requirement for it to prepare a completely new procurement strategy each year. An organisation must, however, review its procurement strategy annually and make such revisions as it considers appropriate for the purposes of the Act.

An organisation must publish its procurement strategy, including any revisions, on the internet i.e. publically available online, and by any other appropriate means. The organisation must notify Scottish Ministers of the publication of its procurement strategy by sending an email to ProcurementStrategies@gov.scot, attaching the procurement strategy or including a link to where the procurement strategy can be accessed.

If an organisation’s spend is less than £5 million it is encouraged to prepare (and publish if it has not already done so) a procurement strategy.

**Mandatory Requirements of a Procurement Strategy**

Section 15(5) of the Act sets out what an organisation must include as a minimum in its procurement strategy. This includes setting out how the organisation intends to ensure that its regulated procurements will deliver value for money, and how they will be carried out in compliance with the sustainable procurement duty.

**Other Considerations**

When developing a procurement strategy, consideration should be given to the [Scottish Model of Procurement](http://www.gov.scot/Topics/Government/Procurement/about/spd-aims) as well as local and national priorities and objectives.

Elements of the effectiveness of the procurement strategy will be measured via the [Procurement & Commercial Improvement Programme (PCIP)](https://procurement-journey.test.wsdev.org/pcip/pcip-overview). Although not a mandatory requirement of the Act, it is strongly recommended that organisations focus on the appropriate PCIP Assessment Question (1.2 in Lite, and 1.3 for Medium and Full) when developing their strategy, this includes providing evidence that:

* the procurement strategy objectives have been defined and approved by the organisational owner, for example board level or equivalent, and reflects the organisation’s corporate strategy, the [Scottish Model of Procurement](http://www.gov.scot/Topics/Government/Procurement/about/spd-aims), Local Economic Agenda and National Outcomes; etc., as found in the [Guidance under the Procurement Reform (Scotland) Act 2014](http://www.gov.scot/Resource/0049/00496919.pdf)
* objectives are being managed and delivered by procurement and action plans are in place which are refreshed annually
* the Contract and Supplier Management approach that will be taken by the organisation has been endorsed/approved by the organisational owner
* high level commercial targets are included in the procurement strategy and/or the organisation’s Corporate Strategy

**Monitoring, Reviewing, Reporting on Strategies**

In preparing its procurement strategy, the organisation should consider how it will measure and monitor data and demonstrate achievement of stated procurement objectives/KPI’s. The organisation should also ensure data capture methods meet the requirements listed in the annual report.

Organisations are responsible for ensuring their procurement activities comply with all relevant legislation. Organisations should keep their procurement strategy under review, revising and re-publishing it as required.

**Annual Procurement Report**

Annual procurement reports allow an organisation to record and publicise its performance and achievements in delivering its procurement strategy.

Where an organisation is required to prepare a procurement strategy, or review an existing one, it must also publish an [annual procurement report](http://www.legislation.gov.uk/asp/2014/12/section/18) on its regulated procurements as soon as reasonably practicable after the end of the financial year. The date for the first annual procurement report is dependent on when the organisation’s financial year.

The annual procurement report must include:

* A summary of the regulated procurements that have been completed during the year covered by the report;
* A review of whether those procurements complied with the organisation’s procurement strategy;
* The extent to which any regulated procurements did not comply, and a statement detailing how the organisation will ensure that future regulated procurements do comply;
* A summary of community benefit requirements imposed as part of a regulated procurement that were fulfilled during the year covered by the report;
* A summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the report period;
* A summary of regulated procurements expected to commence in the next two financial years.

The annual report must address all of the matters contained in an organisation procurement strategy.

Publication of an annual report is to be in a way the organisation considers appropriate, but must include publication on the internet.

An organisation can include information about non-regulated procurements in its annual procurement report as well as other additional information, dependent on factors such as the size and spend of the organisation.

More information on what must be included in the annual procurement report, including publication dates, can be found in section 2.6.2 of the [Guidance under the Procurement Reform (Scotland) Act 2014](http://www.gov.scot/Publications/2016/03/8410/2).

**Annual Report on Procurement Activity in Scotland**

Scottish Ministers will prepare an annual report on procurement activity in Scotland. The report will be based on information contained within individual annual procurement reports that will be published by organisations.

###### **Procurement Strategy – Best Practice Template**

**This template has been developed to contain a set of STANDARD procurement strategy sections, which may be used by an organisation to create a new procurement strategy or develop an existing procurement strategy document.**

**It is at the discretion of the individual organisation whether to use some, all or indeed none of this template to prepare its procurement strategy.**

**Not all sections of this procurement strategy template will be appropriate for all organisations. As a result it is the responsibility of the organisation to ensure that its final published procurement strategy is relevant and proportionate, meeting all legal and internal governance requirements.**

**Please note that:**

 **- this template is an example only and should be adapted to suit individual circumstances. The template includes links to examples of strategies and these are provided for illustrative purposes only.**

 **- the term “organisation” used in this document also refers to: contracting authority; contracting entity; public body; public organisation.**

**Any questions regarding the content of a procurement strategy should be raised with respective internal legal departments.**

**Section 1 – Contents**

|  |
| --- |
| This contents page lists examples of real-life sections that have been included in procurement strategies.There is no one-size-fits-all approach. A procurement strategy will reflect an organisation’s function, its objectives and priorities. The organisation should ensure that the content of its final published procurement strategy is relevant and proportionate whilst meeting all legal and internal governance requirements.* Introduction / Executive Summary
* Procurement Vision / Mission Statement
* Strategy Rationale / Context
* Strategic Aims, Objectives & Key Priorities
* Spend/Finance
* Recommendations and Other Content for Consideration
* Monitoring, Reviewing and Reporting on Strategies
* Strategy Ownership and Contact Details
* Policies, Tools & Procedures
* Appendices
* Glossary

**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 2 – Introduction/Executive Summary**

|  |
| --- |
| An Executive Summary demonstrates that the organisational owner, for example board level or equivalent is committed to the aims, objectives and delivery of the procurement strategy of an organisation. This section should explain the organisation’s approach to procurement including context, strategic goals & objectives and prevailing challenges. Some illustrative examples of an existing procurement strategy Executive Summaries can be found below:**Note to Buyer:****Please delete the above notes when using this Procurement Strategy template.** |
|  |

**Section 3 – Procurement Vision/Mission Statement**

|  |
| --- |
| A mission statement refers to the present (the organisations purpose and what it delivers), whereas a vision statement points to a future, aspirational destination (where do we want to be in X years?).An unambiguous vision statement should be included in a procurement strategy. This can be accompanied by a mission statement that should be aligned to reflect the purpose & values of the organisation, which all employees should understand and work to deliver. Vision & mission statements should be: * aligned to the organisation’s goals & objectives
* visible within and outwith the organisation
* realistic and achievable
* concise, inspirational and engaging
* easily articulated

Some illustrative examples of existing public sector vision & mission statements can be found below: **Note to Buyer:****Please delete the above notes when using this Procurement Strategy template.** |
|  |

**Section 4 – Strategy Rationale/Context**

|  |
| --- |
| This section should contain an explanation of the rationale behind a procurement strategy e.g.* what is the purpose of the strategy?
* what are the drivers behind Procurement Functions’ strategic aims & objectives?
* economic challenges?
* local & national objectives?
* local & national pressures?
* existing skillsets / gaps?

Some illustrative examples of existing public sector rationales can be found below: **Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 5 – Strategic Aims, Objectives & Key Priorities**

|  |
| --- |
| As laid out in the [Act](http://www.legislation.gov.uk/asp/2014/12/part/2/crossheading/procurement-strategy-and-annual-report), a procurement strategy should explain how the organisation’s approach to procurement fits with and aligns to its broader organisational aims and objectives.A procurement strategy should confirm that there is a clear pathway for:* identifying and acting on improvements;
* ensuring that best value/value for money is being obtained consistently when goods and services are purchased.

Ensuring that, as a minimum, all mandatory requirements are included; this is the section where the detailed components of a procurement strategy should be laid out. For example:* What is the strategic direction for your procurement activities?
* What are the organisation’s overall procurement objectives?
* What improvements does the organisation plan to deliver over the reporting period?
* What action plans will it put in place to ensure the objectives are delivered?

Outline performance indicators which will be used to monitor progress of each outcome for the lifespan of the strategy* How will success be determined?

**Mandatory Requirements (Section 15(5) of the** [**Procurement Reform (Scotland) Act 2014**](http://www.legislation.gov.uk/asp/2014/12/part/2/crossheading/procurement-strategy-and-annual-report)**)****It is in this section you can include the following requirements set out in the Act. Set out how the organisation intends to ensure that its regulated procurements will:*** **contribute to the carrying out of its functions and the achievement of its purposes (2.5.1 of the Guidance under the Procurement Reform (Scotland) Act) This should include high level commercial targets and effective contract and supplier management**
* **deliver value for money (a balance of cost, quality and sustainability) (2.5.2)**
* **be carried out in compliance with its duty to treat relevant economic operators equally and without discrimination (2.5.3))**
* **be undertaken in compliance with its duty to act in a transparent and proportionate manner (2.5.4)**
* **comply with the sustainable procurement duty (2.5.5)**

**and include statements of the organisation’s general policy on:*** **the use of community benefit requirements (2.5.6)**
* **consulting and engaging with those affected by its procurements (2.5.7)**
* **the payment of a Living Wage to persons involved in producing, providing or constructing the subject matter of regulated procurements (2.5.8)**
* **promoting compliance by contractors and sub-contractors with the Health & Safety at Work, etc. Act 1974 and any provision made under that Act (2.5.9)**
* **the procurement of fairly and ethically traded goods and services (2.5.10)**
 |
| * **how it intends its approach to regulated procurements involving the provision of food to: improve the health, wellbeing and education of communities in the organisation’s area; and promote the highest standards of animal welfare (if applicable) (2.5.11)**

This live example from a Scottish public body’s procurement strategy, demonstrates how the effective use of the criteria laid out here can support, measure and deliver the organisation’s goals and objectives.**Note to Buyer: Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 6 – Spend/Finance**

|  |
| --- |
| Most organisations include a section on spend/finance in their procurement strategy. This is where an organisation would normally include more information on how you will deliver value for money (a balance of cost, quality and sustainability). This section could detail historical and projected spend information and spend analysis (for the organisation/sector/market) which could include:* Total annual spend
* Spend by category
* Procurement influenceable spend
* Forecasts

Some areas that could be included for the organisation specifically are:* Savings achieved
* Savings targets, and how to deliver and measure savings & benefits
* How the organisation will minimise cost and maximise value
* How will the spend profile be improved e.g. reduce maverick spend, increase SME/supported business ratio’s, etc.
* What financial tools, systems & processes are currently used? Can these be improved?
* Accountability and auditability – previous results and projections
* Planned budget allocation

**Mandatory Requirements (Section 15(5) of the** [**Procurement Reform (Scotland) Act 2014**](http://www.legislation.gov.uk/asp/2014/12/part/2/crossheading/procurement-strategy-and-annual-report)**)****This section can include the mandatory statement of the organisation’s general policy on how it intends to ensure that, so far as reasonably practicable, the following payments are made no later than 30 days after the invoice (or similar claim) relating to the payment is presented:*** **Payments due by the organisation to contractor(s),**
* **Payments due by a contractor to a sub-contractor(s),**
* **Payments due by a sub-contractor to sub-contractor (2.5.12)**

**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 7 – Recommendations and Other Content for Consideration**

|  |
| --- |
| In addition to the mandatory requirements, there are many other common elements in a procurement strategy which an organisation can consider, if relevant to its organisation, such as:* How to define the supply need
* People and skills – how to identify and address skills gaps/improve the skillset across the team
* Organisational enhancements
* Identification and management of [risks](https://procurement-journey.test.wsdev.org/risk-management) & opportunities e.g. collaboration opportunities
* Accountability and auditability

**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 8 – Implementation, Monitoring, Reviewing and Reporting**

|  |
| --- |
| This section can used to detail procurement performance management and monitoring structures and processes.Although not a mandatory requirement of the Act, it is strongly recommended that organisations also focus on the appropriate [PCIP](https://procurement-journey.test.wsdev.org/pcip/pcip-overview) Assessment Question (1.2 in Lite, and 1.3 for Medium and 1.3 Full) when developing their strategy.In addition the Act requires specific measures to be reported via the [Annual Report](http://www.legislation.gov.uk/asp/2014/12/section/18). Further information can be found in the [Guidance under the Procurement Reform (Scotland) Act 2014](http://www.gov.scot/Publications/2016/03/8410/2).  **Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 9 – Strategy Ownership & Contact Details**

|  |
| --- |
| The organisation should include the strategy owner name(s), responsibilities and contact details in its procurement strategy. Some organisations may include this information in a Foreword, or in another section of the procurement strategy. This is at the discretion of the organisation.**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 10 – Policies, Tools & Procedures**

|  |
| --- |
| To provide further information to its audience an organisation should consider listing (and linking to) local and national policies, processes and procedures. Some examples are listed below (this is not an exhaustive list). Some examples of Local Policies & Procedures are as follows: * Key Stakeholder Map / internal / external customers
* Risk Management
* Gifts, hospitality and other inducements
* Conflicts of interest / anti-competitive behaviour / fraud awareness
* Suppliers charter

Examples of National Policies, Tools and Legislation can be found by clicking the following links (this is not an exhaustive list):* [Scottish Model of Procurement](http://www.gov.scot/Topics/Government/Procurement/about/spd-aims)
* [Changes to European Directives](https://www.gov.uk/guidance/transposing-eu-procurement-directives)
* [Public Procurement Reform Programme](http://www.gov.scot/Topics/Government/Procurement/about/Review)
* [Suppliers Charter](http://www.gov.scot/Topics/Government/Procurement/Selling/Supplierscharter2)
* [EU Procurement Thresholds](http://www.gov.scot/Topics/Government/Procurement/policy/10613)
* [Procurement Journey](https://procurement-journey.test.wsdev.org/)
* [PCIP](https://procurement-journey.test.wsdev.org/pcip/pcip-overview)
* [Public Contracts Scotland](http://www.publiccontractsscotland.gov.uk/)
* [Public Contracts Scotland – Tender](https://www.publictendersscotland.publiccontractsscotland.gov.uk/esop/pts-host/public/pts/web/login.html)
* [Information Hub](http://www.gov.scot/Topics/Government/Procurement/eCommerce/ScottishProcurementInformationHub)

**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 11 – Appendices**

|  |
| --- |
| Any supplementary supporting data or information which is either detailed, lengthy or may otherwise detract from the flow of a procurement strategy document can be added to an appendix section near the end of the procurement strategy.Typically this would include statistics, data tables, reports, etc.**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |

**Section 12 – Glossary**

|  |
| --- |
| Since the audience may not be familiar with all terms used in the procurement strategy, it may be useful to provide a glossary of terms near the back of a procurement strategy document. This should explain/define any unusual, difficult or specific words, terms and/or expressions used in the text. This is particularly relevant if your organisation operates in a specialist field/market.**Note to Buyer:****Please delete the above notes when using this procurement strategy template.** |
|  |