**Procurement Journey**

**Procurement Strategy,**

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

**Best Practice Guidance**

V 2.0

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](https://www.gov.scot/publications/procurement-reform-scotland-act-2014-statutory-guidance/).

**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. publicly 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), the [Public Procurement Strategy for Scotland](https://www.gov.scot/publications/public-procurement-strategy-scotland-2023-2028/) and 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://www.procurementjourney.scot/pcip/pcip-overview). Although not a mandatory requirement of the Act, it is strongly recommended that organisations focus on the appropriate PCIP Assessment Question (the procurement influence question) 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](https://www.gov.scot/policies/public-sector-procurement/), local economic agenda and National Outcomes, etc., as found in the [Guidance under the Procurement Reform (Scotland) Act 2014](https://www.gov.scot/publications/procurement-reform-scotland-act-2014-statutory-guidance/pages/2/)
* 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](https://www.gov.scot/publications/procurement-reform-scotland-act-2014-statutory-guidance/pages/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.