

Item: 15

Policy and Resources Committee: 21 June 2022.

Procurement Strategy.

Joint Report by Corporate Director for Neighbourhood Services and Infrastructure and Corporate Director for Strategy, Performance and Business Solutions.

1. Purpose of Report

To consider the draft Procurement Strategy 2021 to 2023.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 19 February 2019, the Policy and Resources Committee recommended approval of the Procurement Strategy for the period 2019 to 2021.

2.2.

That the Procurement Strategy has been updated, with the revisions set out in section 4.5 of this report, some of which are subject to approval of the updated Contract Standing Orders.

It is recommended:

2.3.

That, subject to approval of the updated Contract Standing Orders, the Procurement Strategy 2021 to 2023, attached as Appendix 1 this report, be approved.

3. Background

3.1.

The Procurement Strategy 2016 to 2018 was adopted at the General Meeting of the Council on 13 December 2016 and the strategy was published that same month as required by the Procurement Reform (Scotland) Act 2014 (the Act).

3.2.

In order to report compliance with its Procurement Strategy and the Act itself, the Council published an annual Procurement report in October 2018. The strategy was updated and revised to cover the period 2019 to 2021 and was recommended for approval by the Policy and Resources Committee on 19 February 2019.

4. Updates to the Strategy

4.1.

The Procurement Strategy has now been further updated, for the period 2021 to 2023, with the intention that a public consultation will be undertaken in 2023. This will commence and be underpinned by the new Council Plan 2023 onwards following adoption by the Council. This will ensure that the Procurement Strategy from 2023 dovetails with the new Council Plan.

4.2.

The amendments to the procurement strategy, with the exception of terminology updates and changes in Scottish Government policy, reflect changes which have been considered or are being considered elsewhere by the Council (see the table at section 4.5 below). For this reason, for the update of the Procurement Strategy there has been no consultation undertaken.

4.3.

The eleven priorities identified in the Procurement Strategy remain as follows:

- Sustainability.
- Working with suppliers.
- Value for money.
- Collaboration and partnering.
- Governance.
- Contract management.
- Communication.
- E-Procurement.
- Monitoring and measurement.
- Guidance.
- Training.

4.4.

The six key priority areas where targets have been identified and are reflected in the Procurement Strategy reporting period ending in 2023 remain as follows:

- Sustainability.
- Working with suppliers.
- Value for money.
- Collaboration and partnering.
- Contract management.
- E-Procurement.

4.5.

Attached as Appendix 1 to this report is the draft Procurement Strategy for the period 2021 to 2023. The table below details the amendments made to the Strategy:

Section Reference.	Description.	Rationale.
4.3.	Updated Council organisational structure chart and wording to describe the current procurement team composition.	Update following restructure approved in March 2022.
4.3.2.	Revision from Procurement Working Group to Procurement Consultative Group as per Council decision 14 May 2019.	Updated to align with published information.
6.	Revisions to reflect additional SPPN advice and guidance notes noted in the Council's Contract Standing Orders Version 9.0 under consideration at Policy and Resources Committee 21 June 2022. These revisions will be subject to approval of the updated Contract Standing Orders Version 9.0.	Updated to align with published information and updates to Council Policies.
7.	Revisions to reflect updates to the procurement ethical standards in line with the Council's Contract Standing Orders Version 8.0 adopted by the Council June 2021. These revisions will be subject to approval of the updated Contract Standing Orders Version 9.0.	Updated to align with published information.
8.	Revisions to reflect the updates in the Council's Sustainable Procurement Policy Version 3.0 following public consultation and adopted by the Council on 10 March 2022	Updated to align with published information.
10.	Revision to reflect new Fair Work First advice and guidance and accompanying SPPNs as per the updated Contract Standing Orders Version 9.0 under consideration at Policy and Resources Committee 21 June 2022.	Updated to align with published information.

Section Reference.	Description.	Rationale.
13.	Revisions to reflect the updates in the Council's Sustainable Procurement Policy Version 3.0 adopted by the Council on 10 March 2022.	Updated to align with published information.
15.	Revision to reflect additional spend profile data as published in the latest Procurement Annual Report 2020 / 2021 in December 2021.	Updated to align with published information.
20.	Strategic priorities all updated with available information and refreshed targets inserted for 2021 to 2022 and 2022 to 2023 and lines removed where no information is available.	New strategic priorities and targets will be set for 2023 onwards following a public consultation for the next version of the Council's Procurement Strategy.

5. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 2 to this report.

6. Corporate Governance

6.1.

This report relates to the Council complying with governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6.2.

However, the Procurement Strategy relates indirectly to all of the Council Priorities by underpinning expenditure on works, goods and services across all the Directorates.

7. Financial Implications

There are no financial implications associated with the proposals in this report.

8. Legal Aspects

8.1.

Section 1 of the Local Government in Scotland Act 2003 obliges the Council to make arrangements that secure best value.

8.2.

The Council is obliged to have a procurement strategy in place by virtue of Section 15 of the Procurement Reform (Scotland) Act 2014.

9. Contact Officers

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10. Appendices

Appendix 1: Draft Updated Procurement Strategy.

Appendix 2: Equality Impact Assessment.



Procurement Strategy Update 2021 to 2023

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All our written information can be made available, on request, in a range of different formats and languages. If you would like this document in any other language or format please contact Corporate Services on 01856 873535 or email corporateservices@orkney.gov.uk.

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1. Introduction

This procurement strategy has been reviewed in response to the changing procurement agenda, the current financial climate and Climate Change.

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The strategy sets out the priorities of Orkney Islands Council (the Council) in the form of a number of Council commitments. These commitments reflect both national policies and local priorities and are considered to be proportionate to the scale and complexity of the procurement activity undertaken by the Council. Each of the stated commitments is considered to be achievable within the timeframe of this strategy.

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2. Policy Statement

This is the updated Council procurement strategy. It provides the basis for further improvement and the embedding of procurement across all Council services in a manner which are proportionate to the scale and the complexity of the procurement undertaken by the Council.

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It seeks to create, through a series of Council commitments, a firm foundation upon which the Council can continue to build and deliver improved procurement performance.

The Council is committed to sustainable economic development in Orkney and it is conscious that procurement decisions must take account of the social, economic and environmental impact they have on the people and communities of Orkney.

3. Background

3.1. Procurement Strategy 2021 to 2023

Orkney Islands Council is committed to good procurement practice. This document is an updated version of the Council's Procurement Strategy 2019 to 2021. This updated Strategy builds on the progress to meet the needs of the Council and the business community in Orkney and outwith Orkney.

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3.2. Scope of public procurement

Public Procurement can be defined as the acquisition, whether under formal contract or otherwise, of goods, services and works from third parties by contracting authorities. The scope of public procurement ranges from the purchase of routine supplies or services, to the formal tendering and placing contracts for large infrastructure projects by a wide range of contracting authorities.

The procurement process does not end at the contract award stage, but spans the life cycle of the contract from the inception and design through to contract management.

3.3. Procurement activity

The Council spends approximately £38 million per annum of goods, services and works (2020 to 2021 figures). Of this £38 million approximately 38% is spent with Orkney businesses or with companies that have a presence in Orkney (but with no head office in Orkney).

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This is a significant figure both in terms of the Council's budget and the effect that such spending has on the local economy.

4. Council priorities and values

Procurement cuts across all Council services and forms an integral part of the Council's ability to achieve its declared strategic priorities as detailed below.

- Connected Communities.
- Caring Communities.
- Thriving Communities.
- Enterprising Communities.
- Quality of Life.

Whilst procurement is a key enabler across all the Council's priorities; Caring, Thriving and Enterprising Communities are those where a direct impact can be made.

The Council's values guide the way in which it procures supplies, services and works:

- Resilience.
- Enterprise.
- Equality.
- Fairness.
- Innovation.
- Leadership.
- Sustainability.

A new Council Delivery Plan was approved in 2018 to supplement the new Council Plan, and the Council's Procurement Strategy 2021 to 2023 continues to reflect the strategic priorities and values in line with this and updated to reflect recent procurement developments.

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4.1. Procurement Reform (Scotland) Act 2014

Section 15 of the Procurement Reform (Scotland) Act 2014 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.

Where an organisation has an existing procurement strategy, there is 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.

The Council's first procurement strategy was published by 31 December 2016 as required by the legislation, and covered:

- The remainder of the financial year in which 31 December 2016 occurred.
- The first financial year commencing 1 April 2017.
- A further Procurement Strategy was published in January 2019.

It is a requirement that an organisation must publish its procurement strategy, including any revisions, on the internet and by any other appropriate means. The organisation must notify Scottish Ministers of the publication of its procurement strategy.

This document is a further update to the previous Procurement Strategy which was developed following a period of consultation in 2018, and will extend to the years 2021 to 2023.

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4.2. Scottish Model of Procurement



The Scottish Model of Procurement puts procurement at the heart of Scotland's economic recovery. It sees procurement as an integral part of policy development and service delivery.

Like all good ideas, it's a simple concept - business friendly and socially responsible. Looking at outcomes not outputs, it uses the power of public spend to deliver genuine public value beyond simply cost and / or quality in purchasing.

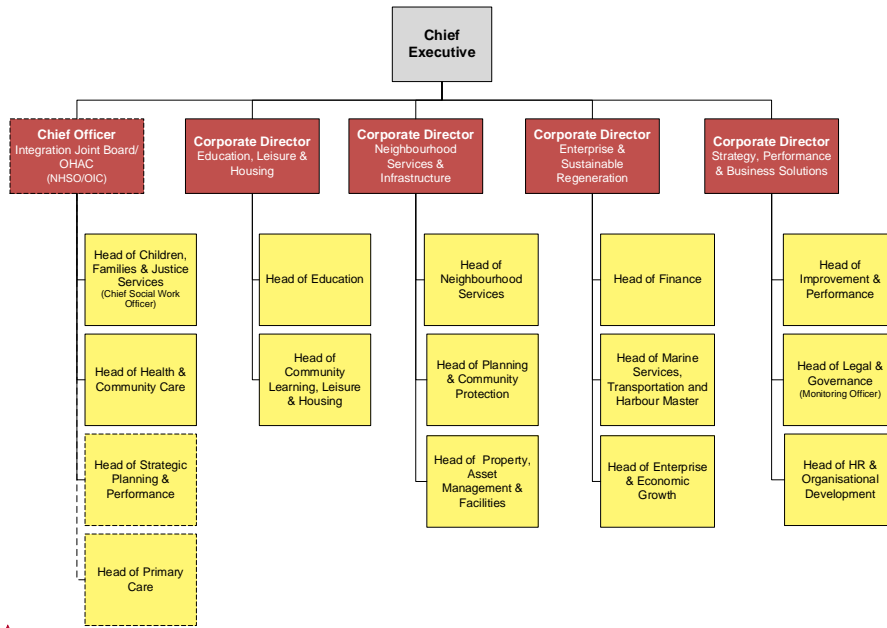
Government led, it benefits from strong political leadership including three successive Cabinet Secretaries. It is also owned by all of the Scottish public sector. Working together to develop strategic relationships with key business, third sector organisations and, a project level partnership with them to agree solutions to specific problems.

The Value for Money triangle sums up the Scottish Model of Procurement; it is not just about cost and quality, but about the best balance of cost, quality and sustainability.

4.3. Council Structure and Procurement Organisational Structure

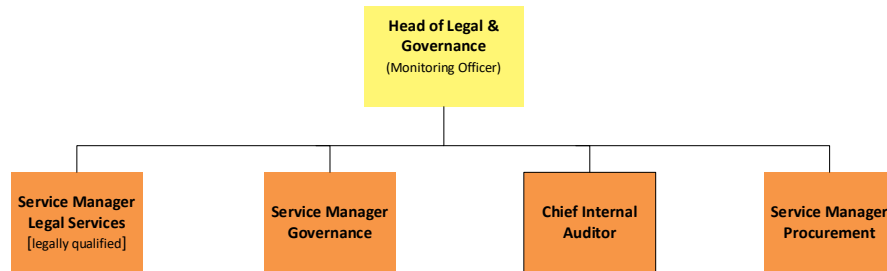
4.3.1

Extended Corporate Leadership Team



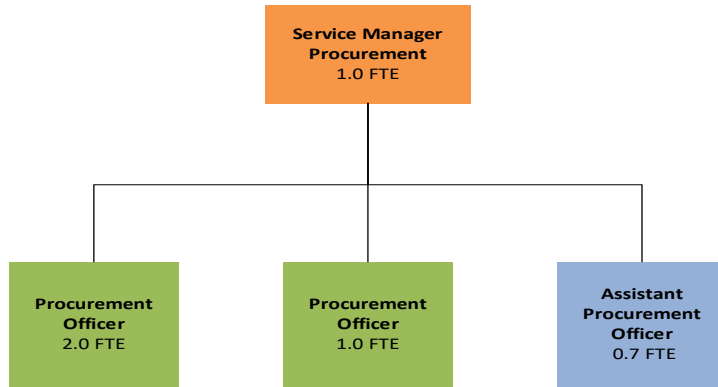
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Orkney Islands Council Legal & Governance Management Structure



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**Orkney Islands Council
Procurement Structure**



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The Council structure as noted above illustrates the new reporting structure for the Procurement Team which will sit within the Strategy, Performance and Business Solutions Corporate Directorate's Legal and Governance Team. The Procurement Services Team now consists of 4.7 full-time equivalent staff; the Service Manager Procurement, three Procurement Officers and an Assistant Procurement Officer. The Procurement Service Manager's responsibilities include development of a network of trained and experienced Officers across the Council who are assigned delegated responsibility for procurement for supplies, services and works.

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4.3.2.

The Procurement Consultative Group consists of six Elected Members and five officers at Executive Director and senior management level, as and when required and has the remit to consider all matters relating to procurement, including reviewing the Contract Standing Orders and development of a procurement strategy.

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5. Themes and Priorities

The six key priority areas where targets have been identified and are attributable for the Procurement Strategy reporting period ending 31 March 2023 will be as follows:

- Sustainability.
- Working with suppliers.
- Value for money.
- Collaboration and partnering.
- Contract management.
- E-Procurement.

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To discuss priorities for the Procurement programme of work.¶
To identify opportunities for efficiencies across OIC.¶
To ensure readiness for compliance with the requirements of the Procurement Reform (Scotland) Act 2014.¶
To ensure the Contract Standing Orders are up to date and implemented across OIC.¶
To support Supplier Development and associated activity.¶

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6. The Council's Contract Standing Orders

The purpose of the Council's Contract Standing Orders (CSOs) is to set clear rules for the procurement of supplies, services and works for the Council. Following the rules should ensure that the Council is fair and accountable in its dealings with contractors and in the

award of contracts. CSOs are intended to ensure that the Council obtains value for money for the council taxpayer. Value for money is defined as the optimum combination of whole life cost and quality (or fitness for purpose) to meet the end users' requirements.

[Contract Standing Orders \(orkney.gov.uk\)](http://orkney.gov.uk) The Council's Contract Standing Orders are compiled in accordance with the Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015, the Procurement (Scotland) Regulations 2016, the Concession Contracts (Scotland) Regulations 2016, the Utilities Contracts (Scotland) Regulations 2016 and the Public Contracts (Scotland) Amendment Regulations 2016.

The Contract Standing Orders should be read in conjunction with the Procurement Reform (Scotland) Act 2014 statutory guidance in recognition of the duty of Public Authorities to have regard to the Guidance as detailed below:

- procurement strategies and annual reports, the sustainable procurement duty, community benefit, tenders and award of contracts.
<https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/5/>
- Addressing Fair Work Practices, including the Real Living Wage, in Procurement:
<https://www.gov.scot/publications/addressing-fair-work-practices-including-real-living-wage-procurement-best/>
- Procurement of Health and Social Care Services:
<https://www.gov.scot/publications/guidance-procurement-care-support-services-2016-best-practice/>
- [Scottish Procurement Policy Note \(SPPN\) 07/2016 Update to Guidance on the Procurement of Care and Support Services \(Best Practice\):](https://www.gov.scot/Topics/Government/Procurement/policy/SPPNSSPANS/policy-notes/SPPN2016/CareSupportServicesBestPractice)
<https://www.gov.scot/Topics/Government/Procurement/policy/SPPNSSPANS/policy-notes/SPPN2016/CareSupportServicesBestPractice>
- [Scottish Procurement Policy Note \(SPPN\) 11/2020 Changes to Procurement legislation at the end of the EU Exit Transition Period](https://www.gov.scot/publications/changes-to-procurement-legislation-at-the-end-of-the-EU-Exit-transition-period-sppn-11-2020/) <https://www.gov.scot/publications/changes-to-procurement-legislation-at-the-end-of-the-EU-Exit-transition-period-sppn-11-2020/>
- [Taking Account of Climate and Circular Economy Considerations in Public Procurement \(SPPN\) 01/2021.](https://www.gov.scot/publications/taking-account-of-climate-and-circular-economy-considerations-in-public-procurement-sppn-01-2021/)
- [Scottish Procurement Policy Note \(SPPN\) 03/2021 Implementation of Fair Work First in Scottish Public Procurement.](https://www.gov.scot/publications/scottish-procurement-policy-note-sppn-03-2021-implementation-of-fair-work-first-in-scottish-public-procurement/)
- [Fair Work First implementation - Scottish public procurement update: SPPN 6/2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fair-work-first-implementation-scottish-public-procurement-update-sppn-6-2021-gov.scot/)
- [Procurement thresholds and VAT inclusion in estimated contract value: SPPN 8/2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/procurement-thresholds-and-vat-inclusion-in-estimated-contract-value-sppn-8-2021-gov.scot/)

All Contracts that are awarded by the Council, regardless of value, are subject to an obligation to seek best value and to demonstrate transparency, equal treatment, non-discrimination and proportionality.

Contracts awarded by the Council must comply with the CSOs.

Officers are required to comply with the CSOs, the Scheme of Delegation to Officers, the Scheme of Administration and the Financial Regulations.

7. Ethical Standards

In all dealings with contractors, the Chief Executive, Executive Directors, and all officers must preserve the highest standards of honesty, integrity, impartiality and objectivity. In particular, officers engaged in procurement matters must:

- Be fair, efficient, firm and courteous.
- Maintain the highest possible standard of integrity in all business relationships.
- Acquire and maintain current technical knowledge.
- Achieve appropriate professional standards in the management of contracts.
- Foster appropriate standards of professional competence amongst those for whom they are responsible.
- Comply with the law, guidance on professional practice and contractual obligations.
- Declare any personal interest which may affect or be seen by other to affect impartiality.
- Respect the confidentiality of information received in the course of duty and ensure that information given in the course of duty is honest and clear.
- Respond promptly, courteously and efficiently to suggestions or enquiries, including Freedom of Information request obligations according to Council policies.
- Not knowingly work with suppliers that trade in slavery, prostitution or illegal drugs, or who breach International Labour Organisation conventions.
- Not offer, give or agree to give anything, to any person an inducement or reward for doing, refraining from doing, or for having done or refrained from doing, any act in relation to the obtaining or execution of the procurement agreement or for showing or refraining from showing favour or disfavour to any person in relation to said Agreement which may constitute an offence under the Bribery Act 2010.
- Take all reasonable steps, in accordance with good industry practice, to prevent fraud by Council Staff and the Supplier (including its shareholders, members and directors) in connection with the procurement of supplies, services and shall in the first instance notify their Line Manager, Head of Service or Corporate Director immediately if they have reason to suspect that any fraud has occurred or is occurring or is likely to occur. Reporting in all cases should be in accordance with the Council's Corporate Anti-Fraud Policy and Whistle Blowing Policy.

8. Sustainable Procurement Duty/Climate Change Duty

Before undertaking a tendering exercise, the Chief Executive, Executive Directors or Chief Officer takes into account the social, economic and environmental impacts of the proposed contract and whether the contract will contribute to the achievement of sustainable development in accordance with the Sustainable Procurement Duty and the Council's Sustainable Procurement Policy. [Sustainable Procurement \(orkney.gov.uk\)](https://www.orkney.gov.uk)

For any procurement equal to or greater than £4,000,000, the Council must consider whether to impose community benefit requirements as part of the procurement.

The Council recognises and wishes to maximise the benefits achievable through sustainable procurement. Sustainable procurement can deliver additional benefits for the Council while contributing to the social, economic and environmental well-being of people and places. For example, sustainable procurement will enable the Council to:

- Achieve value for money by avoiding unnecessary purchasing, by considering and then lowering the whole life costs of goods, services and works and through improved resource efficiency.
- Report on progress towards meeting its legal duties and other obligations in relation to climate change and sustainable development.
- Stimulate the market and encourage innovation for sustainable products and services.
- Support the local supply community by engaging with Small and Medium Enterprises and Third Sector organisations so they can compete for Council contracts.
- Help build a sustainable supply chain for the future and improve supplier relationships.

Consideration to be given to the elimination of single use / disposable plastic items used by the Council where possible and support others to do likewise.

The Chief Executive, Corporate Directors or Chief Officer will only consider factors that are relevant and proportionate to the proposed Contract.

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9. Consultation and Engagement

Prior to commencement of all procurement activities where the public may be affected by the Council's procurements, consideration is given to the consultation and engagement process as appropriate. For example, this is particularly relevant in the provision of Social Care Services which provides for good practice examples of service users and / or their representatives contributing to the development of service specifications and evaluation criteria.

10. Fair Work First

Fair Work First in Scottish Procurement sets out the five Fair Work First criteria: appropriate channels for effective voice, such as trade union recognition; action to tackle the gender pay gap and create a more diverse and inclusive workplace; and providing fair pay for workers (for example, payment of the real Living Wage).

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The Scottish Government has further advised public bodies to implement Fair Work First in new advised public bodies to implement Fair Work First in new procurement processes from 1 April 2021. Since then, Ministers have announced the expansion of Fair Work First to include 2 new elements. This expansion is in response to challenges faced in the labour market. The new elements seek to promote flexible and family friendly working practices and oppose the use of fire and rehire practices.

The Council will apply the full and expanded Fair Work First criteria in all procurement processes, where relevant and proportionate to do so.

- Addressing Fair Work Practices, including the Living Wage, in Procurement: <http://www.gov.scot/Publications/2015/10/2086/0>
- Scottish Procurement Policy Note (SPPN) 03/2021 Implementation of Fair Work First in Scottish Public Procurement.
- Fair Work First implementation – Scottish public procurement update: SPPN 6/2021 - gov.scot (www.gov.scot)

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11. Health and Safety at Work, etc. Act 1974

All Contractors and sub-contractors will be required to evidence their compliance with the Health and Safety at Work, etc. Act 1974 and any provision made under that Act, wherever this is relevant to the subject matter of the contract.

12. Fairly and Ethically Traded Goods and Services

In 2010, Orkney Islands Council passed a Fairtrade Resolution which says:

“Orkney Islands Council aims to be recognised as supporting and promoting the principles of Fairtrade through demonstrating a commitment to supporting fair and sustainable development”.

As detailed in the Council’s Sustainable Procurement Policy, the Council will, where practicable and where it is sustainable, purchase fair trade options as a means of helping excluded and disadvantaged producers, including independent small farmers, to access international markets and receive a fair price for their products.

13. Procurements involving the Provision of Food

The Council will require contractors to provide evidence of how their approach to the sourcing/provision of food can improve the health, wellbeing and education of communities and appropriate food standards certification or equivalent including animal welfare requirements and / or welfare inspections which can promote the highest standards of animal welfare.

As detailed in the Council’s Sustainable Procurement Strategy:

- We will, where practicable and where it is sustainable, specify fresh, seasonal and nutritious food.
- We will not knowingly purchase genetically modified food or food with genetically modified ingredients.
- We will specify Protected Geographical Indication and Protected Designation of Origin standards where they are justified by menu requirements.
- We will consider animal welfare when making procurement decisions.
- We will not purchase goods which have been developed using animal testing.
- We will, where practicable and where it is sustainable, purchase fair trade options certified by appropriate independently verified accreditation schemes as a means of helping excluded and disadvantaged producers, including independent small farmers, to access international markets and receive a fair price for their products.

Consideration to be given to the reduction of “food miles” in the context of usage of food produced locally where appropriate and practical and in accordance with procurement legislation.

Consideration will be given to the following publications for all procurements involving the provision of food as appropriate:

Good Food Nation: a Land of Food and Drink.

<http://www.gov.scot/Topics/Business-Industry/Food-Industry/national-strategy/good-food-nation>

Catering for Change: Buying food sustainably in the public sector.

<http://www.gov.scot/Publications/2011/01/12154555/0>

14. Aims of the Procurement Strategy

- Ensure that the procurement strategy is aligned with the Council's corporate priorities.
- Ensure a clear pathway for identifying and acting on improvements by maintaining and improving on the measure of "conformance" performance as measured by the PCIP.
- Ensure compliance with all relevant legislation and achieve financial savings.
- Ensure that best value / value for money is being obtained consistently when goods and services are purchased.
- Ensure that steps are taken to facilitate Supported Businesses in Orkney to be involved in regulated procurement opportunities.
- Ensure that all suppliers have access to supplier development support.
- Ensure compliance with the Sustainable Procurement Duty.
- Ensure that community benefit requirements are imposed as part of a regulated procurement where appropriate.
- Ensure that suppliers are able to access information regarding future potential contract opportunities up to two years in advance.
- Ensure that a Procurement Annual Report is prepared to report on the progress made for meeting the Aims of the Procurement Strategy.

15. Outcomes of the Procurement Strategy

- Better contracts resulting in better services and facilities for the people of Orkney.
- Increased savings, freeing up money to protect the Councils front line services.
- Standardisation of Council processes to protect the Council from risk.
- Improved contract and supplier management.
- A publicly available summary of the regulated procurements that have been completed.
- An annual review of whether those procurements complied with the organisation's procurement strategy.
- An annual review of 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.

16. Spend Profile in Orkney

The Council is required by the Scottish Government to input its annual spend data to the Procurement Hub which records all purchasing transactions made by the Council for each financial year. The information is processed and released back to the Council for the purposes of analysis and forward planning.

The following table provides a summary of key data for the Council spend data for the past six financial years.

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<u>Financial Year.</u>	<u>2015 / 2016.</u>	<u>2016 / 2017.</u>	<u>2017 / 2018.</u>	<u>2018 / 2019.</u>	<u>2019 / 2020.</u>	<u>2020 / 2021.</u>
<u>Total Spend (£).</u>	<u>44,002,015.</u>	<u>40,922,973.</u>	<u>43,949,847.</u>	<u>45,158,580.</u>	<u>45,351,144.</u>	<u>40,405,786.</u>
<u>Core Trade Spend (£).</u>	<u>39,228,692.</u>	<u>36,836,233.</u>	<u>38,934,328.</u>	<u>40,890,739.</u>	<u>41,136,579.</u>	<u>37,412,755.</u>
<u>Suppliers.</u>	<u>2,183.</u>	<u>2,216.</u>	<u>2,218.</u>	<u>2,091.</u>	<u>2,103.</u>	<u>1,764.</u>
<u>SME Suppliers.</u>	<u>761.</u>	<u>733.</u>	<u>702.</u>	<u>671.</u>	<u>730.</u>	<u>670.</u>
<u>Local Suppliers.</u>	<u>235.</u>	<u>225.</u>	<u>228.</u>	<u>238.</u>	<u>249.</u>	<u>217.</u>
<u>Transactions.</u>	<u>35,728.</u>	<u>34,655.</u>	<u>34,292.</u>	<u>34,684.</u>	<u>35,299.</u>	<u>29,226.</u>
<u>Average Spend per supplier (£).</u>	<u>20,156.</u>	<u>18,467.</u>	<u>19,815.</u>	<u>21,596.</u>	<u>21,564.</u>	<u>22,906.</u>
<u>Percentage of SME Spend.</u>	<u>70%.</u>	<u>75%.</u>	<u>63%.</u>	<u>67%.</u>	<u>65%.</u>	<u>61%.</u>
<u>Percentage of Local Spend.</u>	<u>48%.</u>	<u>43%.</u>	<u>41%.</u>	<u>47%.</u>	<u>41%.</u>	<u>38%.</u>
<u>Percentage of Core Trade Spend of Total Spend.</u>	<u>89.15%.</u>	<u>90.01%.</u>	<u>88.59%.</u>	<u>90.55%.</u>	<u>90.70%.</u>	<u>92.59%.</u>

Procurement Spend – National Context

The Council has the fourth highest value (38%) in comparison to the whole of Scotland for the reporting period 2020 to 2021, for total procurement spend on local SMEs (Figure 2).

Orkney's procurement spend on local SMEs is 11% above the 'all Scotland' national average of 29% (Figure 1).

Please note that the figures referred to in this section are the percentages of the Council's spend on local SMEs which is a different data set to the figures recorded for percentage of SME Spend and percentage of Local Spend in the table above. This information is sourced from the Local Government Benchmarking data sets and are the 2020 to 2021 figures. These are the most up to date statistics available to illustrate the national context.

What percentage of my council's procurement is spent on local enterprises?

Figure 1: Percentage of Council Procurement spent on local SMEs 2020 to 2021. Source: www.improvementservice.org.uk, accessed 8 June 2022. Orkney Islands Council spend on local enterprise is 38%, higher than the national average of 29%.

What percentage of my councils' procurement is spent on local enterprises?



Figure 2: Percentage of Council Procurement spent on local SMEs – Scottish Local Authorities 2020 to 2021. Orkney Islands Council is ranked 4th across all Scottish Local Authorities. (Source: as above).

What percentage of my councils' procurement is spent on local enterprises?

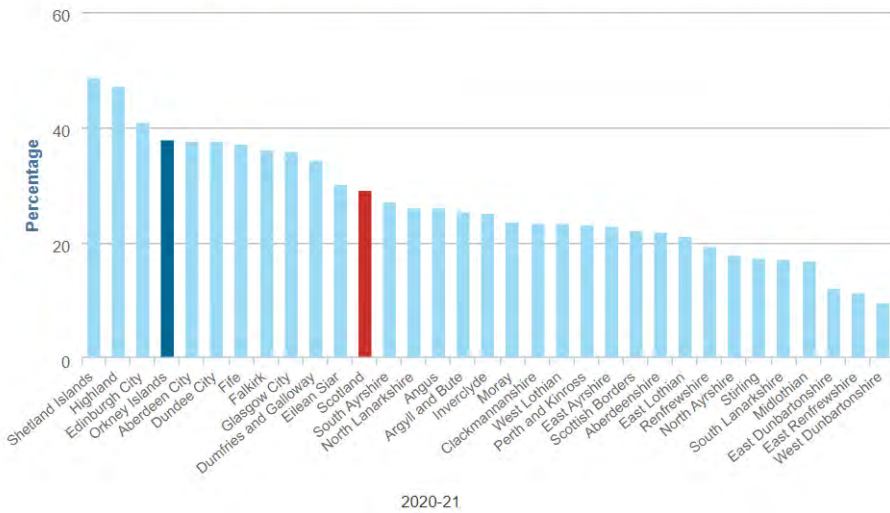
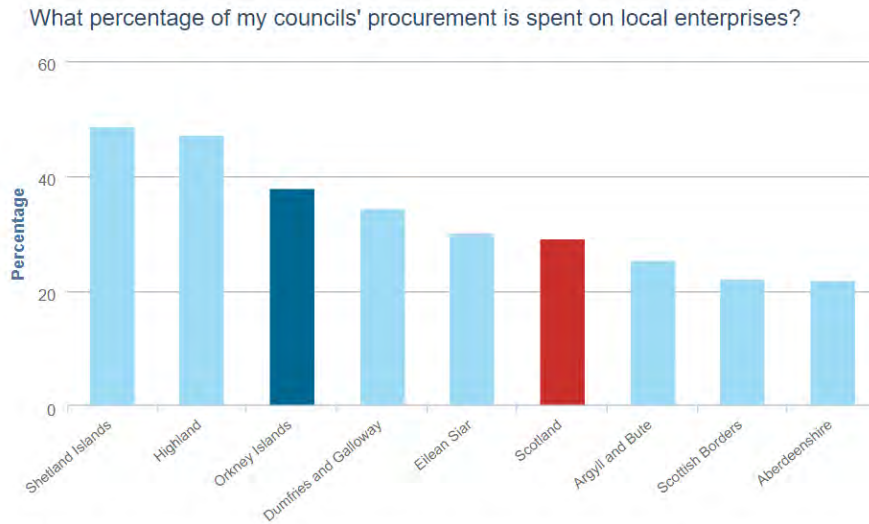


Figure 3: Percentage of Council Procurement spent on local SMEs –Compared to similar Scottish Local Authorities 2020 to 2021. (Source: as above).



For Corporate Services, Economic Development, Environmental Services, Culture and Leisure Services, Financial Sustainability and Tackling Climate Change similar types of councils are grouped by their population density

17. Payment Policy

Once certified, payment vouchers should be passed without delay to the Payments Section for processing. Prior to payment the Payments Section will examine payment vouchers and are entitled to make enquiries and to receive information and explanations as required. All payments must be made on time, to comply with the requirements of the Late Payment of Commercial Debts (Interest) Act 1998.

The Council is committed to ensure that where invoices are submitted accurately, these will be paid within 30 days of the invoice date.

18. Implementation, Monitoring, Reviewing and Reporting

The Council already has several performance indicators on procurement and any outcomes and targets from this Procurement Strategy not already included in these indicators will be added for monitoring.

The Council's first Procurement Annual Report was published in October 2018 and reported on the targets set in the Procurement Strategy 2016 to 2018. The targets set in the first Procurement Strategy have been reviewed and amended for the Procurement Strategy 2019 to 2021 and for the updated Strategy for 2021 to 2023 and have continued to be reported on in each Procurement Annual Report since 2018.

Additionally, overall reporting on the six themes noted at section 5 of this Strategy will be reported upon where appropriate via the Procurement Consultative Group and the Council Committee reporting process.

Deleted: Member Officer Working

19. Policies, Tools and Procedures

19.1. Local Policies and Procedures

- Council Plan.
- Key Stakeholder Map / internal / external customers.
- Risk Management.
- Gifts, hospitality and other inducements.
- Conflicts of interest / anti-competitive behaviour / fraud awareness.
- Suppliers charter.
- Financial Regulations.
- Contract Standing Orders.
- National Performance Framework
- Flexible Framework.
- National Competency Framework.

Examples of National Policies, Tools and Legislation can be found by searching for the following:

- Legislation.
- Legislation Guidance.
- Scottish Model of Procurement changes to European Directives.
- Public Procurement Reform Programme.
- Suppliers Charter.
- EU Procurement Thresholds.
- Procurement Journey.
- Supplier Journey.
- Procurement Construction Manual.
- PCIP.
- Public Contracts Scotland.
- Public Contracts Scotland – Tender.
- Information Hub (Spikes Cavell).
- Pecos Catalogue Management System (PCM).
- Supplier Development Programme.
- Business Gateway Orkney.
- Sustainability Prioritisation Tool.

20. Strategic priorities

The Council will always strive to achieve value for money through procurement within an environment of transparency and non-discrimination. The Council must achieve efficiencies and cash savings through procurement whilst considering its responsibilities for the environmental impact of any procurement decisions made in terms of sustainability, equality, diversity and other social implications.

The Council's priorities for [2021 to 2023](#) in relation to procurement are set out as follows:

20.1. Sustainability

The Council is conscious that its procurement decisions must take account of the social, economic and environmental impact it has on the people and communities of Orkney and elsewhere.

Council commitment:

- To embed sustainability into the procurement process where it is relevant to the subject matter of the contract and to comply with the Council's Sustainability Duty.
- Implementation of the Scottish Government 10 steps to Sustainable Procurement to assist sustainability and other responsible procurement themes
- To engage with the local supplier base to develop Community Benefit Clauses to maximise the potential of the local economy to compete for Council business for the economic benefit and sustainability of Orkney.
- To implement the use of Community Benefit Clauses in contracts as appropriate.

Indicator.	Actual.		Actual.	Actual.	Actual.	Target
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.	2021 to 2022 and 2022 to 2023
Number of Procurements where Community Benefit Clauses have been included in the award criteria.	3.	4.	5.	5.	5.	10
Percentage of overall spend with the third sector and supported businesses.	5.52%	10.65%	11.91%	10%	15%	15%
Percentage of contract spend with local supplier base in Orkney.	43%	52%	47%	41%	35%	50%

20.2. Working with suppliers

The Council recognises that there is a popular view amongst suppliers and contractors, and particularly amongst Small and Medium Sized Enterprises (SMEs), that Councils are difficult to deal with and that communications are often poor.

Council Commitment:

- At all times adopt a professional approach in all its business undertakings with suppliers and contractors. Where decisions are made every effort will be made, within the confines of the law and commercial confidentiality, to provide a full explanation of the reasoning behind the procurement decision making process.

Deleted: Percentage of relevant Procurements where Community Benefit Clauses have been included in the award criteria. ...

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- To ensure that the procurement process is appropriate to the value and complexity of the goods, services or works that are being acquired and to keep bidding costs to the minimum necessary and remove barriers to participation by, for example small firms, the self-employed and the third sector without discriminating against others.
- To review contract award procedure – to ensure that they place the minimum possible burden of suppliers.
- Use outcome based tender specifications wherever possible – to allow businesses to propose innovative and alternative solutions to the Council's needs.
- To consider the use of lots as appropriate in contract opportunities to enable small firms, the self-employed and the third sector to bid for contracts.
- To develop systems where suppliers are able to provide feedback on a regular basis.

Indicator.	Actual.		Actual	Actual.	Actual.	Target
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.	2021 to 2022 and 2022 to 2023.
Number of local suppliers registered with the Supplier Development Programme.	N / A.	36.	40.	45.	50.	55
Number of local supply base registered on the Public Contracts Scotland Advertising Portal	N / A.	N / A.	86.	84.	86.	100
Percentage of Council spend attributed to SMEs.	75% ↓	63% ↓	65%	65%	61%	68%
Number of Local Suppliers (Local suppliers providing goods, services or works to the Council).	225 ↓	228 ↓	238.	249.	217.	240

Deleted: Percentage of local supply base registered with the Supplier Development Programme.

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Deleted: Percentage of outcome based specifications in place.

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20.3. Value for money

Section 1, Local Government in Scotland Act 2003 places a statutory duty on the Council to secure best value. Procurement activities which deliver value for money will contribute to the achievement of value for money.

Best Value is continuous improvement in the performance of the Council's functions. In accordance with Best Value principles all proposed and current service arrangements shall be subject to review and option appraisal.

The aim of Council procurement must be the achievement of value for money (the optimum combination of whole life cost and quality) for the Council.

Council commitment

- To further develop tender evaluation procedures in order that contracts awarded represent value for money (or Most Economically Advantageous Tender where the full provisions of the Procurement Regulations apply) taking quality and price into consideration in all instances.
- As part of value for money considerations the Council will take account of other relevant Council policies in relation to corporate social responsibility, sustainability and the use of Community Benefits.
- To raise awareness internally of potential framework savings and make recommendations to ensure a more consistent approach across all Council services.

Indicator.	Actual.		Actual.	Actual.	Actual	Target
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021	2021 to 2022 and 2022 to 2023.
Percentage of procurement spend covered by a contract.	55% (66%)	60% (78%)	80%	91%	99%	99%
Savings targets for frequently purchased items.	£50,000 (Systems under development to record this).	£103,000 (Systems under development to record this).	£97,000.	TBC.	TBC	TBC

Deleted: Percentage savings target secured through increase on-contract spend.

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20.4. Collaboration and partnering

Greater efficiencies can be achieved by improved collaboration between different organisations within the public sector with similar requirements, whether within the local government sector or in other areas of the public sector, such as the Scottish Government, the Crown Commercial Service, Non Departmental Public Bodies and the NHS. Collaboration maximises the value of procurement whether it be through aggregation of demand or through the sharing of resources to reduce administration.

Council commitment

- Where collaborative arrangements provide a benefit to the Council there will be a strong presumption towards the use of contracts that have been established by Procurement Scotland (the national centre of procurement expertise), Scotland Excel (the local government centre of procurement expertise) and the Crown Commercial Service.
- Where it is demonstrated that collaborative contracts represent value for money to the Council the use of such contracts should be mandatory across the Council to reduce off-contract buying.
- Where there is a known local supply base as well as collaborative/framework contracts available for the Council to use, a twin track approach should be used to ensure best value is achieved and the local market has the opportunity to respond to contract

opportunities. This will be in accordance with the Council's Contract Standing Orders and appropriate to the value of the contract.

- To collaborate wherever possible with the various Centres of Expertise Procurement Expertise to maximise the value of strategic procurement.

Indicator.	Actual.					Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.	<u>2021 to 2022 and 2022 to 2023.</u>
Percentages of contract spend utilising Collaborative Contracts.	21.09%	19.78%	17.11%	14.47%	15.45%	25%
Percentage of locally based contractors participating in Collaborative/Framework Contract Opportunities.	0%	0%	0%	0%	0%	1%
Percentage of contract spend with local supplier base in Orkney.	43%	41%	47%	41%	38%	<u>47%</u>

Deleted: Percentage of contract opportunities where local supply base have had the opportunity to submit bids.

20.5. Governance

The Council currently has a highly devolved procurement structure with the majority of services still carrying out a sizeable procurement role. The culture of compliance with the Councils governance arrangements is difficult to manage. The Council expects that all possible attention is given to the issue of accountability and governance in the area of procurement.

Council commitment:

- The Council's Procurement Member Officer Working Group will consider the strategic direction of Procurement.
- The Council will develop the embedded procurement officer network (a network of staff who are formally authorised to undertake procurement activities on behalf of the Council).
- Suppliers will be given notice that goods, services and works should only be provided to the Council on the award of a contract or purchase order.
- That no member of Council staff may award a contract or purchase order without written delegated authority.
- The key roles of budget holder and procurer will not be performed by the same member of staff.

- The Council will endeavour to comply with the Scottish Procurement Policy Handbook <http://www.gov.scot/Publications/2008/12/23151017/0>.
The Council will comply with the Contract Standing Orders [Contract Standing Orders \(orkney.gov.uk\)](http://orkney.gov.uk)

20.6. Contract management

Active contract management is increasing across the Council with segmentation used to identify high value / high risk contracts to ensure targeting of staff resources to develop and apply a contract management plan at the implementation stage following contract award.

Council commitment:

- To strengthen contract management procedures by holding regular meetings with major contractors to review performance and improve levels of contract compliance.
- Roll out contract management arrangements to all high value high risk contracts.
- Incorporate an appropriate exit strategy into contract management plans.

Indicator.	Actual.		Actual.	Actual.	Actual.	Target
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.	<u>2021 to 2022 and 2022 to 2023.</u>
Percentage of contracts classified as high value/high risk with an appropriate contract management plan in place.	26.99%	53.85%	52.5%	57.98%	43.22%	70%

Deleted: Percentage of contracts with an exit plan in place where appropriate.

20.7. Communication

Communication is key to the successful implementation of any new procurement processes or policy, there has to be an understanding amongst all stakeholders of the reasons behind such actions.

Council commitment:

To inform and advise its stakeholders by means of:

- Increasing the use of the Public Contracts Scotland website at [Home - Public Contracts Scotland](#).
- Increasing the use of the procurement page on the Council's intranet (portal).
- Increasing the use of the procurement section of the Council's website.
- Increase attendance at "meet the buyer" or equivalent events to cover areas of concern, engage with local suppliers and advice on how to become a supplier to the Council.

Encourage main contractors to engage with SMEs through the inclusion of Community Benefit clauses.

- Encourage suppliers to the Council to access support available to business, via Business Gateway Orkney and the Supplier Development Programme.

20.8. E-Procurement

The Council has yet to implement a process for the replacement of all paper-based purchase ordering systems with a modern e-Procurement system and where appropriate with corporate purchasing cards.

Council commitment:

- To implement an e-Procurement system by end of December 2021.
- To consider (as appropriate) use of e-procurement tools (e.g. e-tendering and e-ESPD i.e. PCS - Tender).
- To maximise the use of the Public Contracts Scotland "Quick Quote" facility for low value / low risk procurements.

Indicator.	Actual.					Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.	<u>2021 to 2022</u> and <u>2022 to 2023.</u>
Percentage of invoices paid within 30 days.	80%	81%	81%.	71%	84%	85%
Percentage of invoices using e-procurement/purchase to pay system.	4% (Systems not in place yet).	25% (Systems not in place yet).	17%	32%	100%	100%
Percentage of procurement undertaken using e-tendering system i.e. PCS-T or ESPD Module	N / A.	N / A.	10% (12%, of applicable contracts 76%).	50% (36%, of applicable contracts 90%).	100% (46.2% of applicable contracts).	100%

20.9. Monitoring and measurement

In order to measure improvement in effectiveness and efficiency it is important that an agreed set of standard indicators are adopted. The methods of monitoring and measuring procurement performance are required to be proportionate to the scale and complexity of the Council's procurement activities.

Council Commitment:

- The Council will implement as standard, the Best Practice Indicators that were recommended by the Public Procurement Reform Board as a means of measuring the effectiveness and efficiency of the procurement function.
- The Procurement and Commercial Improvement Programme (PCIP) performance reporting framework to be considered for incorporation and adoption of additional Best Practice indicators as appropriate.

20.10. Guidance

An important aspect of the role of the procurement function is to provide guidance and advice to Council services and to all stakeholders.

Council commitment:

The Council will continue to develop procedural guidance as follows:

- The introduction of standard procurement guidance.
- Provide training in the use of standard procurement guidance.
- To develop a purchasing guide for those involved in the ordering of supplies and services.
- To introduce and publish the European-Standard Procurement Document (ESPD), standard tender documentation and standard letters and updates as required.
- One suite of terms and conditions for all Council Requirements.

20.11. Training

The Council recognises that training and development are essential to an effective procurement function and that this is a key element of the ongoing Procurement Commercial Improvement Programme.

Council Commitment:

- Develop training to ensure that procurement activities are compliant with legislation and obtaining value for money.

21. Document Control Sheet

Review / approval history.

Date.	Name.	Position.	Version Approved.
10 December 2013.	General Meeting of the Council.		Version 1.0.
13 December 2016.	General Meeting of the Council.		Version 3.0.
<u>5 March 2019</u>	General Meeting of the Council.		Version 4.0

Change Record Table.

Date.	Author.	Version.	Status.	Reason.
29 November 2016.	Rosemary Colsell.	2.0.	Final.	Draft revised strategy prepared for public consultation to include the provisions of the Procurement Reform (Scotland) Act 2014 and the Procurement Scotland Regulations 2016.
21 January 2019.	Rosemary Colsell.	4.0	Draft.	Draft updated strategy following consultation for 2019 to 2021.
<u>5 March 2019.</u>	<u>Rosemary Colsell</u>	<u>4.0</u>	<u>Final</u>	<u>Published strategy for 2019 to 2021.</u>
<u>21 June 2022.</u>	<u>Rosemary Colsell.</u>	<u>5.0</u>	Draft	<u>Updated strategy 2021 to 2023 with new legislation and policies.</u>

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Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Procurement Strategy 2022
Service / service area responsible.	Neighbourhood Services and Infrastructure – Procurement
Name of person carrying out the assessment and contact details.	Rosemary Colsell, Service Manager Procurement rosemary.colsell@orkney.gov.uk
Date of assessment.	16/05/2022
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	Existing Procurement Strategy reviewed to reflect new legislation and updated in line with the Council's Contract Standing Orders 2022 and the Sustainable Procurement Policy 2022.

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	To purpose of the Procurement Strategy is to detail the strategic objectives for Council procurement in line with the Council Plan.
Is the function / policy / plan strategically important?	Yes
State who is, or may be affected by this function / policy / plan, and how.	All suppliers who bid for contracts which are advertised by the Council.
How have stakeholders been involved in the development of this function / policy / plan?	Officials of the Council have reviewed and updated the policy in line with the Council's Contract Standing Orders 2022 and the

	Sustainable Procurement Policy 2022. The Sustainable Procurement Policy was subject to a public consultation and responses received were incorporated and used to develop the policy.
Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).	A consultation was conducted by the Scottish Government on the Changes to the Scottish Procurement Regulations in 2015.
Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Guidance for Public Bodies for further information.	The revised Procurement Strategy includes a section on Fair Work First which ensures that employment issues are prioritised.
Could the function / policy have a differential impact on any of the following equality areas?	(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).
1. Race: this includes ethnic or national groups, colour and nationality.	No
2. Sex: a man or a woman.	No
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	No
4. Gender Reassignment: the process of transitioning from one gender to another.	No
5. Pregnancy and maternity.	No
6. Age: people of different ages.	No

7. Religion or beliefs or none (atheists).	No
8. Caring responsibilities.	No
9. Care experienced.	No
10. Marriage and Civil Partnerships.	No
11. Disability: people with disabilities (whether registered or not).	No
12. Socio-economic disadvantage.	The Fair Work First positively impacts on improved work practices and working towards the real living wage for employees of contractors/no zero hours contracts for example.

3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	No
How could you minimise or remove any potential negative impacts?	NA
Do you have enough information to make a judgement? If no, what information do you require?	Yes

4. Conclusions and Planned Action

Is further work required?	Yes
What action is to be taken?	As and when new legislation and guidance is issued by the Scottish Government. The Procurement Strategy will be further updated and subject to consultation in 2023 when the new Council Plan is published following a period of consultation. A further review will be undertaken to reflect changes in legislation and statutory guidance as and when required.
Who will undertake it?	Service Manager Procurement
When will it be done?	Ongoing
How will it be monitored? (e.g. through service plans).	The Procurement Service Improvement Plan has a section which monitors the Council's commitment to Sustainability. New actions will be

	formulated following the 2023 review and public consultation.
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Signature: 

Date: 16 May 2022

Name: ROSEMARY COLSELL

(BLOCK CAPITALS).

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk