

## **Item: 17**

**Policy and Resources Committee: 19 February 2019.**

**Procurement Strategy.**

**Report by Executive Director of Corporate Services.**

### **1. Purpose of Report**

To consider the draft Procurement Strategy 2019 to 2021.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That public consultation on the revised Procurement Strategy was undertaken between 10 October 2018 and 21 January 2019.

#### **2.2.**

Amendments made to the Procurement Strategy 2016 to 2018, as detailed in section 4.4 of this report.

**It is recommended:**

#### **2.3.**

That the Procurement Strategy 2019 to 2021, attached as Appendix 1 to 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). In order to report compliance with its Procurement Strategy and the Act itself, the Council published an annual Procurement report in October 2018.

### **3.2.**

The eleven themes identified in the Procurement Strategy for the period ending 31 March 2018 were as follows:

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

### **3.3.**

The six key priority areas where targets have been identified and are attributable for the Procurement Strategy reporting period ending 31 March 2018 were as follows:

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

## **4. Revisions to the Strategy**

### **4.1.**

A consultation period for the revisions and update to the Procurement Strategy commenced at the Council's Meet the Buyer Event on 10 October 2018, with the formal consultation and documentation promoted and available on the Council's website from November 2018 and extended to 21 January 2019. There have been no formal responses, however one clarification requested from a local supplier has been incorporated into the revisions.

### **4.2.**

The Council's last Procurement and Commercial Improvement Programme highlighted several areas where improvements could be made including an increased emphasis on exit strategies as part of contract management and supplier feedback and both of these points have been added into the Procurement Strategy.

### 4.3.

The targets set in the Procurement Strategy 2016 to 2018 have been reviewed and amended as some of the original targets set have been challenging to report due to lack of substantiated data. Where this is the case the targets have either been amended or replaced altogether.

### 4.4.

Attached as Appendix 1 to this report is the draft Procurement Strategy for the period 2019 to 2021. The table below details the amendments made to the Strategy:

<b>Section reference.</b>	<b>Description.</b>	<b>Rationale.</b>
7.3.	Addition of reference to reduction in single use plastics	To align with Sustainable Procurement Policy, published in March 2018.
14.	Removed reference to number of procurement exercises carried out.	Not relevant as does not necessarily equate to contracts awarded.
16.	Removed reference to Project Bank Accounts	Use of project bank accounts considered and found to not be suitable for the Orkney context.
17.	Reference to Construction Manual included.	Procedure published December 2018.
18.1.	Removed percentage from target and replaced with number of contracts with community benefit clauses.	Number more relevant as the inclusion is now mandatory. How this policy is applied across all contracts is now a more relevant measure.
18.2.	Added a commitment to ensure suppliers have an accessible route to provide feedback on the procurement process.	An action noted in the last PCIP.
18.2.	Removed target to record % of local supply base registered with Supplier Development Programme (SDP). Replace with target that measures the number of suppliers registered with SDP instead.	No accurate figures available for total number of suppliers in Orkney.
18.2.	Added number of suppliers registered on Public Contract Scotland (PCS) advertising portal.	All local suppliers, new and established need to be registered on PCS.

<b>Section reference.</b>	<b>Description.</b>	<b>Rationale.</b>
18.3.	Percentage savings target removed.	It has proved challenging to produce figures for this which can be evidenced effectively.
18.4.	Commitment to twin track where collaborative contracts (framework contracts) clarified.	In response to clarity requested by a local supplier.
18.4.	New target to record number of exercises where local supplier have been able to bid.	This will indicate where local suppliers have been able to bid via the quick quote process or via open tendering.
18.6.	Additional requirement to include exit strategies in contract management plans.	Identified via the PCIP as part of the improvement plan.
18.7.	Included the use of the new PCS European Standard Procurement Document (ESPD) on line module in addition to the PCS-T tendering system in this target.	Broadened this target to include new developments in e-tendering systems.

#### **4.5.**

In order to evidence the Council's progress against the strategic targets as set in the revised Procurement Strategy and the new duties introduced by the Act, the Annual Procurement Report details the form of measurement taken and progress made. This approach shows over time how the Council is progressing against both the national and local objectives.

### **5. Corporate Governance**

This report relates to 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. Financial Implications**

There are no immediate financial implications arising from the report recommendations.

### **7. Legal Aspects**

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

## **8. Contact Officers**

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## **9. Appendix**

Appendix 1: Procurement Strategy 2019 to 2021.



# Procurement Strategy

## 2019 to 2021

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](mailto:corporateservices@orkney.gov.uk).

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## **1. Introduction**

This procurement strategy has been prepared in response to the changing procurement agenda and the current financial climate.

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.

## **2. Policy Statement**

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

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 2019 to 2021**

Orkney Islands Council is committed to good procurement practice. This document is a revised and updated version of the Council's Procurement Strategy 2016 to 2018. This revised Strategy builds on the progress to meet the needs of the Council and the business community in Orkney and outwith Orkney.

### **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 £41 million per annum of goods, services and works (2017 to 2018 figures). Of this £41 million approximately 41% is spent with Orkney businesses or with companies that have a presence in Orkney (but with no head office in Orkney).

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 2019 to 2021 has been reviewed in line with this and updated to reflect recent procurement developments.

### 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.

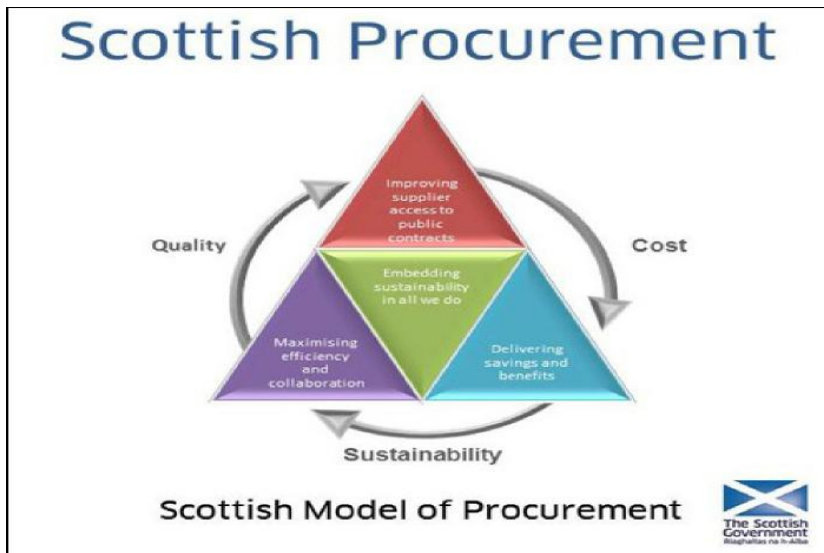
The Council's first procurement strategy was published by 31 December 2016 as required by the legislation, and covered:

- The remainder of the financial year in which 31 December 2016 occurred.
- The first financial year commencing 1 April 2017.

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 revision to the first Procurement Strategy following a period of consultation and will extend to the years 2019 to 2021.

## 4.2. Scottish Model of Procurement



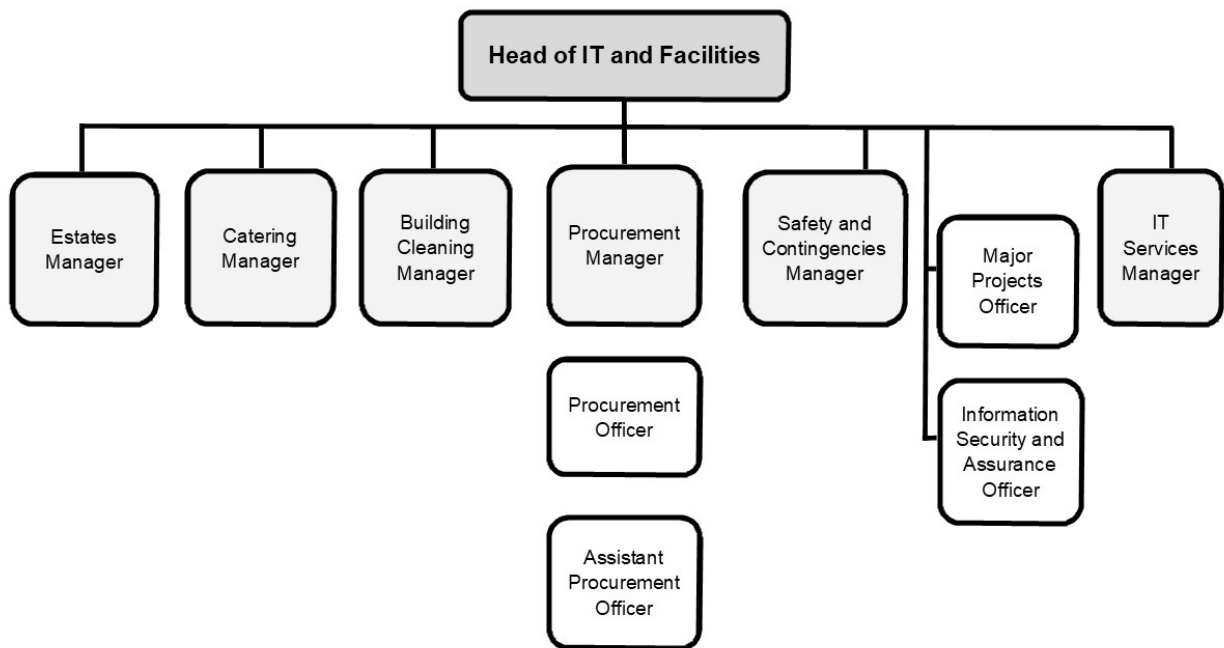
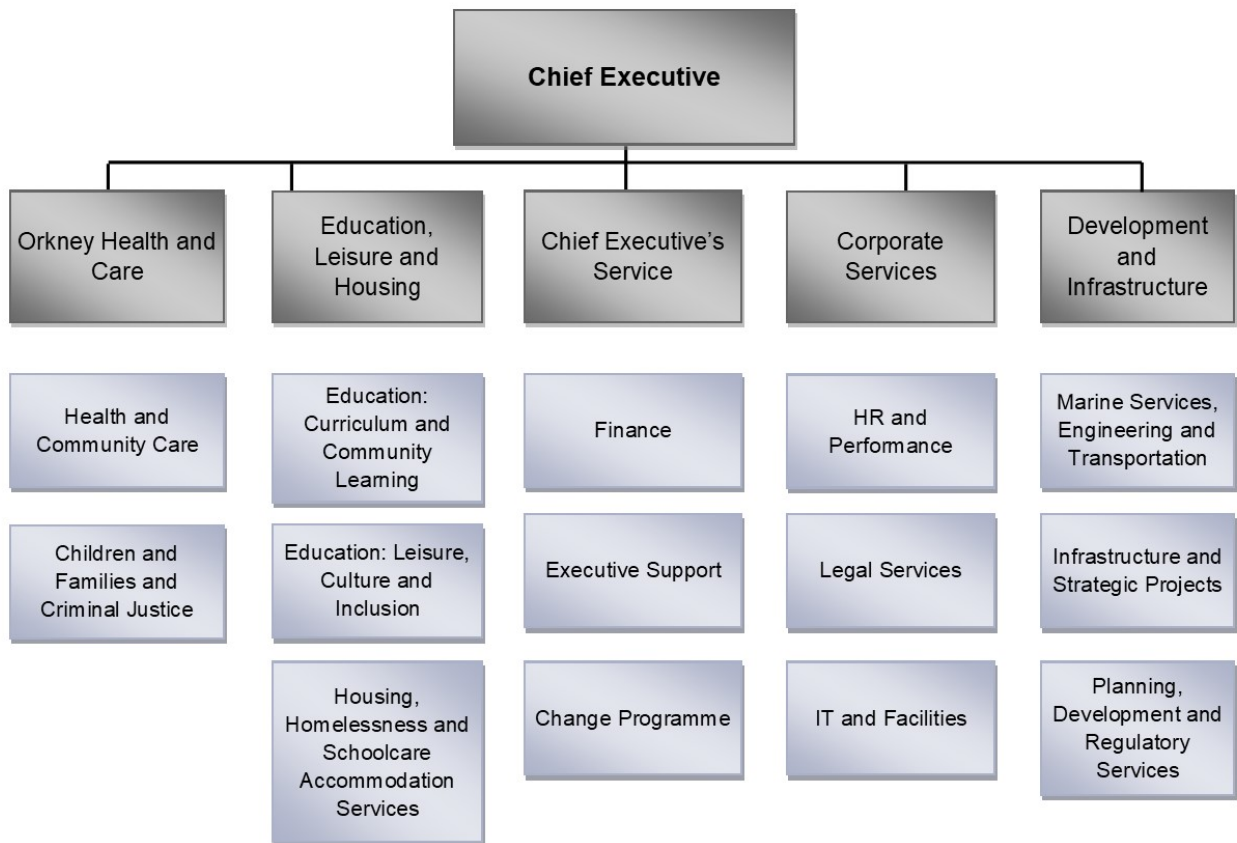
The Scottish Model of Procurement puts procurement at the heart of Scotland's economic recovery. It sees procurement as an integral part of policy development and service delivery.

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



The Council structure as noted above illustrates the reporting structure for the Procurement Team which sits within Corporate Services and the IT and Facilities Team. The Procurement Services Team consists of three full-time equivalent staff; a Procurement Manager, a Procurement Officer and an Assistant Procurement Officer. The Procurement 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.

The Procurement Member Officer Working Group consists of six Elected Members and five officers at Executive Director and senior management level, meets quarterly and has the following objectives:

- To consider the strategic direction of Procurement across OIC.
- 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.

## **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 2021 are as follows:

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

## **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.

<http://www.orkney.gov.uk/Council/C/Contract-Standing-Orders.htm>

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:

Selection of Tenderers and Award of Contracts; The Sustainable Procurement Duty; and Community Benefit Requirements in Procurement:

<http://www.gov.scot/publications/2016/03/8410>

Addressing Fair Work Practices, including the Living Wage, in Procurement:

<http://www.gov.scot/Publications/2015/10/2086/0> Procurement of Health and Social Care Services: <http://www.gov.scot/publications/2016/03/8410>

Scottish Procurement Policy Note (SPPN) 07/2016 Update to Guidance on the Procurement of Care and Support Services (Best Practice):

<http://www.gov.scot/Topics/Government/Procurement/policy/SPPNSSPANS/policy-notes/SPPN2016/CareSupportServicesBestPractice>

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.

## **8. Sustainable Procurement 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. <http://www.orkney.gov.uk/Service-Directory/P/sustainable-procurement.htm>.

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.

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

## **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. Payment of Living Wage**

The Council will consider its approach to all procurements involving the payment of a Living Wage to persons involved in producing, providing or constructing the service, supply or works being procured and will require contractors to comply with legislation as required by the Scottish Government as referred to in the guidance as below.

Addressing Fair Work Practices, including the Living Wage, in Procurement:  
<http://www.gov.scot/Publications/2015/10/2086/0>

## **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.

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 three financial years.

Category.	Financial Year.		
	2015 to 2016.	2016 to 2017.	2017 to 2018.
Total spend.	£44,002,015.	£40,922,973.	£43,949,847.
Core trade spend.	£39,228,692.	£36,836,233.	£38,934,328.
Suppliers.	2,183.	2,216.	2,218.
SME suppliers.	761.	733.	702.
Local suppliers.	235.	225.	228.
Transactions.	35,728.	34,655.	34,292.
Average spend per supplier.	£20,156.	£18,467.	£19,815.
Purchase card spend.	0%	0%	0%
SME spend.	70%	75%	63%
Local spend.	48%	43%	41%
Percentage of core trade spend	89.15%	90.01%	88.59%

### Procurement Spend – National Context

Orkney Islands Council has the second highest value (39%) on local SMEs in comparison to the whole of Scotland for the reporting period 2016 to 2017, for total procurement spend on local small / medium enterprises. Orkney's local procurement spend is almost twice the national average of 20%.

Please note that the figures referred to in this section are the percentage 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.



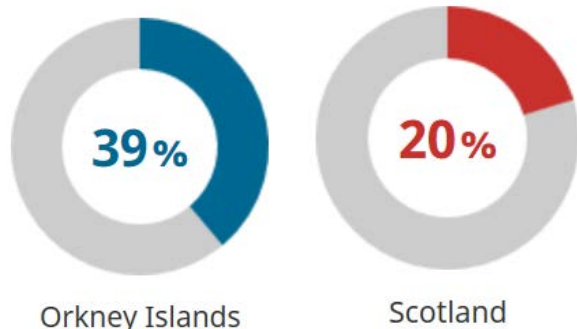


Figure01 Percentage of council procurement spent on local small/medium enterprises 2016-17. Source: [www.improvementservice.org.uk](http://www.improvementservice.org.uk), accessed 02 August 2018.

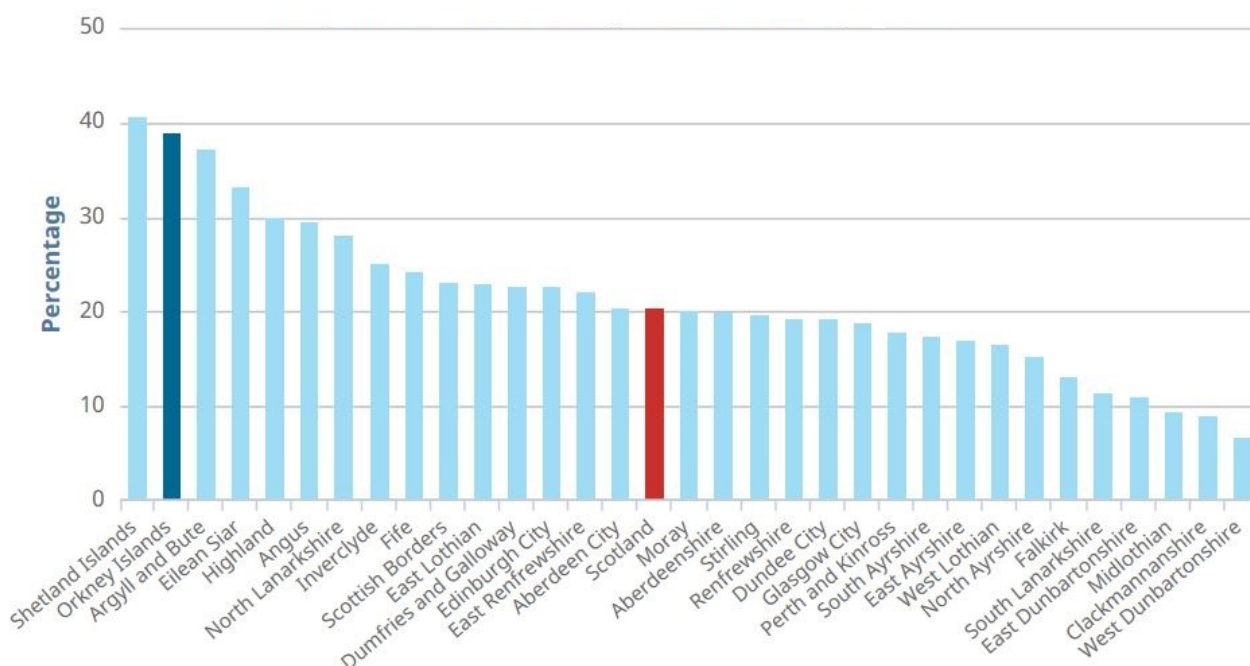


Figure-2 Percentage of council procurement spent on local small/medium enterprises – Scottish Local Authorities 2016-17. Source: As above.

## 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 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.

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

## **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.
- Sustainability Prioritisation Tool.
- 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.

## **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 2019 to 2021 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.		Target.	Target.	Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Percentage of relevant Procurements where Community Benefit Clauses have been included in the award criteria.	5% (100%)	10% (100%)	N / A	N / A	N / A
Number of Procurements where Community Benefit Clauses have been included in the award criteria.	3.	4.	6.	8.	10.
Percentage of overall spend with the third sector and supported businesses.	7% (5.52%)	8% (10.65%)	11%	12%	13%
Percentage of contract spend with local supplier base in Orkney.	50% (43%)	52% (52%)	55%	56%	57%

## 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.

- 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.		Target.	Target.	Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Percentage of local supply base registered with the Supplier Development Programme.	8% (No systems in place to record this data).	12% (No systems in place to record this data).	N / A.	N / A.	N / A.
Number of local suppliers registered with the Supplier Development Programme.	N / A.	36.	40.	45.	50.
Number of local supply base registered on the Public Contracts Scotland Advertising Portal	N / A.	N / A.	89.	95.	100.
Percentage of outcome based specifications in place.	2% (No systems in place to record this data).	5% (No systems in place to record this data).	N / A.	N / A.	N / A.
Percentage of Council spend attributed to SMEs.	50% (75%).	52% (63%).	65%	66%	67%
Number of Local Suppliers (Local suppliers providing goods, services or works to the Council).	250 (225).	265 (228).	230.	235.	240.

### 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.		Target.	Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.
Percentage savings target secured through increase on-contract spend.	1 (No systems in place to record this data).	2.5 (No systems in place to record this data).	N / A.	N / A.
Percentage of procurement spend covered by a contract.	55% (66%)	60% (78%)	80%	85%
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.

## 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.	Target.	Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Percentages of contract spend utilising Collaborative Contracts.	15% (21.09%).	20% (19.78%).	22%	23%	25%
Percentage of locally based contractors participating in Collaborative/Framework Contract Opportunities.	0 (0%)	1% (0%)	1%	1%	1%
Percentage of contract opportunities where local supply base have had the opportunity to submit bids.	N / A.	N / A.	10%	15%	20%
Percentage of contract spend with local supplier base in Orkney.	50% (43%)	52% (41%)	50%	50%	50%

## 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 endeavor 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 <http://www.orkney.gov.uk/Council/C/Contract-Standing-Orders.htm>.

## 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.		Target.	Target.	Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Percentage of contracts classified as high value/high risk with an appropriate contract management plan in place.	25% (26.99%)	30% (53.85%)	60%	65%	70%
Percentage of contracts with an exit plan in place where appropriate.	N / A.	N / A.	60%	65%	70%
Percentage value of savings negotiated during the annualised contract period where there is a contract in place.	1% (No data currently available).	2% (No data currently available).	N / A.	N / A.	N / A.
Percentage of contracts where improvements have been agreed and implemented.	1% (No data currently available).	2% (No data currently available).	N / A.	N / A.	N / A.

## 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 [www.publiccontractsscotland.gov.uk](http://www.publiccontractsscotland.gov.uk).
- 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.

## 19.8. 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.	Target.	Target.
	2016 to 2017.	2017 to 2018.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Percentage of invoices paid within 30 days.	80%	90%	TBC.	TBC.	TBC.
Percentage of invoices using e-procurement/purchase to pay system.	4% (Systems not in place yet).	25% (Systems not in place yet).	60%	TBC.	TBC.
Percentage of procurement undertaken using e-tendering system i.e. PCS-T or ESPD Module	N / A.	N / A.	10%	50%	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.
- 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.
	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.