

# Procurement Strategy

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## Scottish Social Housing Charter Relevant Standards and Outcomes

STANDARD	OUTCOME
<p><b>Section:- Getting good value from rents and service charges</b></p> <p>13. Value for money</p> <p>Social landlords manage all aspects of their businesses so that:</p> <ul style="list-style-type: none"> <li>• <i>Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.</i></li> </ul> <p>14&amp;15. Rent and service charges</p> <p>Social landlords set rents and service charges in consultation with their tenants and other customers so that:</p> <ul style="list-style-type: none"> <li>• <i>A balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them.</i></li> <li>• <i>Tenants get clear information on how rent and other money is spent, including details of individual items of expenditure above thresholds agreed between landlords and tenants.</i></li> </ul>	<p>This <b>standard</b> covers the efficient and effective management of services. It includes minimising the time houses are empty; managing arrears and all resources effectively; controlling costs; getting value out of contracts; giving better value for money by increasing the quality of services with minimum extra cost to tenants, owners and other customers; and involving tenants and other customers in monitoring and reviewing how landlords give value for money.</p> <p>These <b>outcomes</b> reflect a landlord's legal duty to consult tenants about rent setting; the importance of taking account of what current and prospective tenants and other customers are likely to be able to afford; and the importance that many tenants place on being able to find out how their money is spent. For local councils, this includes meeting the Scottish Government's guidance on housing revenue accounts. Each landlord must decide, in discussion with tenants and other customers, whether to publish information about expenditure above a particular level, and in what form and detail. What matters is that discussions take place and the decisions made reflect the views of tenants and other customers.</p>

# PROCUREMENT STRATEGY

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# PROCUREMENT STRATEGY

## 1 INTRODUCTION

- 1.1 Lochalsh and Skye Housing Association was set up in 1983 as an independent non-profit making housing organisation to develop, manage and maintain housing for rent. Since that time there has been a sustained and significant growth in the size and geographical spread of the Association's own housing stock within Skye and Lochalsh and we have considerably extended the range of housing and other services we provide to meet the needs of a wide range of clients.
- 1.2 We have invested in excess of £70 million in the provision of new housing in Skye and Lochalsh and our current rented housing stock of more than 640 properties generates an annual rental income of more than £2.6 million. We directly employ 39 (FTE) members of staff and our main activities now include:-
- Rented, Shared Ownership and Shared Equity Housing
  - Mid-Market Rent Housing (through our subsidiary company)
  - Care and Repair Services
  - Handyperson Services
  - Technology Enabled Care Services
  - Disabled Adaptations
  - Property and Technical Services
  - Project Management Services
  - Factoring Services
  - Energy Advice Services
  - Housing Information and Advice Services
- 1.3 As the Association has evolved and expanded, we have adopted new and innovative approaches to meeting our objectives and we are totally committed to working in partnership with individuals, groups and organisations for the benefit of the communities we serve. We are also committed to regularly reviewing our operations to ensure that we are delivering high quality services which are responsive to the needs of our customers and which provide value for money. This approach involves the Association in maintaining linkages with our tenants and other customers together with a wide range of stakeholders within Skye and Lochalsh and Highland-wide.
- 1.4 We recognise the important role that our organisation can play in contributing towards the regeneration of communities and we strive to participate in activities which enable social inclusion and make a positive contribution towards sustaining the social, economic and cultural wellbeing of the whole community. In addition, all of our activities are designed to assist towards achieving the strategic objectives of the Scottish Government.

- 1.5 To ensure that the Association complies fully with the criteria for maintaining charitable status, it has established a wholly-owned non-charitable subsidiary called “North West Highland Community Enterprises Limited” (Company No. 319435) to carry out activities on behalf of the Association which may be deemed to be “trading activities”. There is an Independence Agreement in place which regulates the relationship between the parent organisation (the Association) and its subsidiary company. The subsidiary company also has its own Business Plan which is approved by the Management Committee of the Association and by the Board of the company.
- 1.6 This strategy complements the Association’s Business Plan and other strategic documents and sets out the context, objectives and approach to procurement that should be adopted throughout the Association.
- 1.7 In addition to the Procurement Strategy, a separate document, the Procurement Manual, is being developed with other similar size organisations to the Association. This Manual will set out the processes and procedures applying to all procurement activities undertaken by the Association.

## **2 WHAT DOES PROCUREMENT MEAN AND KEY DRIVERS?**

### **2.1 Procurement is:**

The process of obtaining supplies, services and works. It is not just purchasing or commissioning but means the process by which outcomes are effectively secured for customers and the Association through the exchange of funding, partnering or contracting.

Based on this we can define effective procurement as the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of organisations, or individuals.

The Association will ensure that it procures supplies, services and works that represent value for money for its customers and the Association.

### **2.2 Key Drivers:**

Legislatively the Association’s procurement is currently guided by:

- EU Treaty Obligations
- EC Procurement Directives
- Public Contract (Scotland) Regulations (2015)
- Procurement Reform (Scotland) Act (2014)

All procurement activity must currently comply with European Union (EU) principles of:

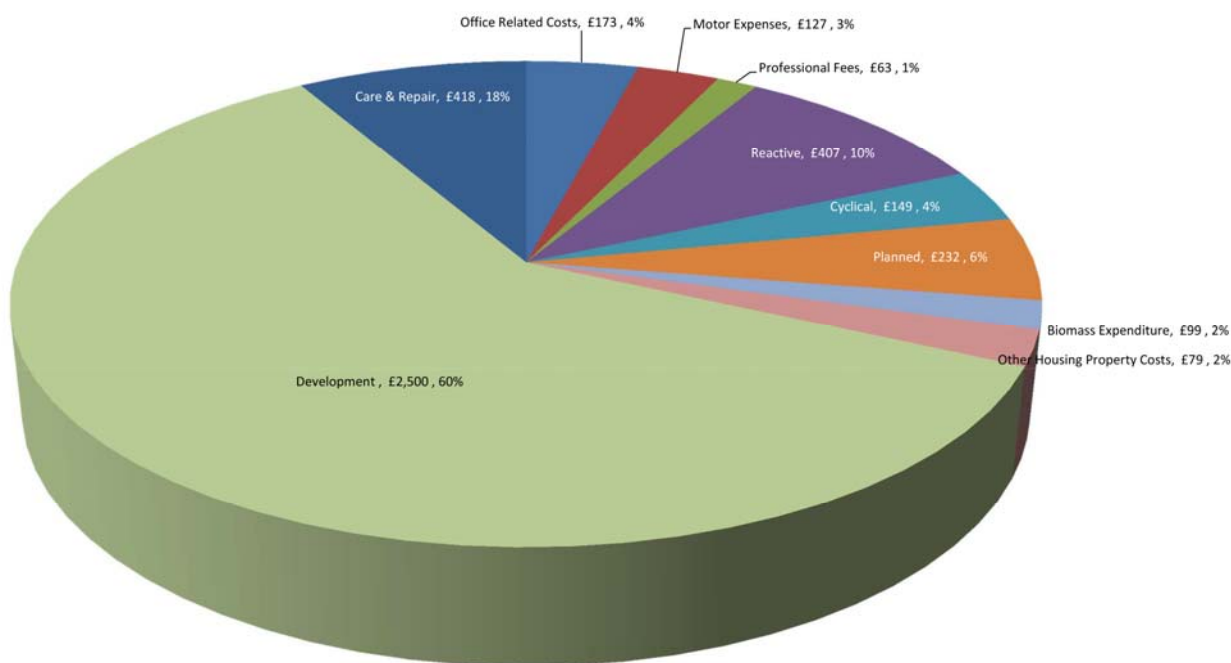
- Accountability;

- Integrity;
- Efficiency;
- Openness;
- Fairness;
- Transparency;
- Equal treatment and non-discrimination; and
- Proportionality

### 3 PROCUREMENT EXPENDITURE

3.1 In 2016/17, the Association spent over £4.18m (£4.58m in 2015/2016) on procured services. The main areas of spend are shown below:

Procurement Expenditure 2016/2017 £000



3.2 The procurement of services and goods is currently regulated by EU rules, our financial policies, procedures and regulations, Standing Orders and Model Rules. In order to achieve efficiencies and improve services, it is necessary to procure legally, competently and allow innovation within procurement. The Association's approach to procurement is based upon a mixture of different methods including partnership, quotes and tenders and specialist services designed to ensure the highest level of Value for Money (VFM). The Association does not have the scale of operation that would sustain a central procurement service and as such responsibility for procurement lies with budget holders.

3.3 The sections below give an overview of our procurement approach and arrangements by activity.

- **Development:** This is the major area of spend for the Association. The Association has been the leading partner in the past in setting up Consultant and Contractor Frameworks with the other Highland based Housing Associations (Albyn/Pentland/Lochaber and Cairn).

The Association procures development projects either via the Design and Build route or the Traditional Tender via Bill of Materials and Drawings via Public Contracts Scotland routes (European Single Procurement Document – ESPD; Quick Quotes; Scotland Notices, Non OJEU; OJEU Notices).

- **Planned Maintenance:** This has been based on a 100% Stock Condition Survey completed in 2014/15 by members of the Association's Property Services and Energy Advice Services teams. The works comprise replacement of windows, external doors, kitchens, bathrooms, heating systems and external works depending on the life cycles.

Currently the Association's Technical Services team replace components due for replacement as we have demonstrated that this approach provides the best value for money.

- **Cyclical Maintenance:** This covers painting, ground maintenance and electrical inspections. The Association's Technical Services team carry out painting and electrical inspections. We have a competitively tendered annual ground maintenance contract which is due for renewal from 1 April 2018.
- **Reactive Repairs:** Whilst we operate a Technical Services team providing reactive and void repairs, the Association also outsources work from local contractors via our Contractors Framework Agreement to ensure that we meet our Performance Targets.
- **Portree Biomass Plant:** The Association has entered into a 20 year lease and Energy Supply Contract (ESCO) for the supply of fuel and maintenance of the plant following a competitive tender exercise based on price and quality with specialist contractors.
- **Office Related Costs, Fees, Motor Expenses and Other Housing Property Costs:** This includes insurance, IT and raising Private Finance for Development Projects. A saving of £50,000pa over three years by OJEU tendering has been established for business insurance and the Association has assessed thirteen private finance tenders with its consultant for the refinancing of existing loans on improved terms.
- **Care & Repair:** The Association operates Care and Repair (and Handyperson Services) which comprise, in the main, the installation of level access showers and ramped access, but also reroofing and rewiring from time to time.

- **General:** A de minimis threshold of £750 excluding VAT has been set by the Association for the procurement of all supplies, services and works and specialist contractors / consultants (e.g. Timber Treatment / Pest Control) and may be approached out with the Contractors / Consultants Frameworks on an occasional basis.

## 4 PROCUREMENT STRATEGY

4.1 Our procurement strategy is a plan which facilitates and improves procurement within the Association to allow the Association to move forward against its agreed strategic targets. The procurement strategy sets out:

- The Objectives of the Strategy (section 5, & 7-10)
- The Scope of the Strategy (Section 6)
- Procurement Key Performance Indicators (Appendix 1)
- Procurement Improvement Plan (Appendix 2)

4.2 This procurement strategy should be read in conjunction with the following documents:

- Business Plan
- Care & Repair Services Business Plan
- Handyperson Services Business Plan
- Energy Advice Services Business Plan
- Asset Management Strategy
- Model Rules, Standing Orders & Financial Plan
- Risk Management Strategy
- Anti-Bribery, Fraud and Error and Whistleblowing Policies
- Sustainability Policy

4.3 The Director of Investment, reporting to the Chief Executive and Management Committee, will have overall accountability for the procurement exercise.

Each Service manages their individual budget and makes purchasing decisions aligned with business needs. Every Service has staff responsible for purchasing at an operational level and has set delegated powers under the Association's Standing Orders and Financial Plan.

## 5 OBJECTIVES OF THIS STRATEGY

5.1 The size and capacity of this organisation dictate that most of the activities of the Association will involve procurement from external sources for goods, works and services in order for our aims and objectives to be delivered. To ensure continuous improvement and support our key values and aims it is essential to have a clear procurement strategy for how these goods, works and services are selected, acquired and managed.



5.2 The overall aim is to facilitate and improve procurement to deliver best value for the Association and its stakeholders. To deliver this, we have established four key objectives:

- **Value for Money:** To achieve optimal value for money through effective procurement and to reduce the cost of procurement.
- **Customer Focus:** To ensure that procurement is aligned with the needs of our customers and that our customers are appropriately involved in our procurement activity.
- **Integrity & Probity:** To ensure that all procurement activity is ethical and that the Association and staff involved in procurement are safeguarded from actual or perceived corrupt or fraudulent activity.
- **Sustainability & Social Value:** To consider the social investment opportunities available through our procurement activity and its potential to deliver economic, social and environmental benefit to the communities we serve.

5.3 As with any strategy, to ensure it is effective, it must be communicated and embedded throughout the Association. It is essential that individuals with responsibility for procurement activities are familiar with the Association's procurement strategy and the principles which guide our procurement activity.

5.4 This strategy is not intended as a procedure manual but is to provide guidance on the way in which the procurement activities of the organisation should contribute to our Corporate Aims and Objectives.

5.5 Further detail on each objective is given in Sections 7 to 10.

## 6 SCOPE OF THIS STRATEGY

6.1 This strategy covers all our functions and services, including but not limited to:

- Corporate Services
- Finance Services
- Housing Services
- Development Services
- Property Services (Asset Management)
- Technical Services
- Care & Repair Services
- Handyperson Services
- Energy Advice Services

6.2 It covers the following activities, including but not limited to:

- Delivery of services to the Association's customers by external organisations on behalf of the Association.

- Services received by the Association's customers provided by any other agency or Local Authority as part of a Service Level Agreement with the Association.
- Purchase of specialist services such as legal advice, audit, training for staff and training for customers.
- Advice and consultancy used by the Association's staff and customers.
- Goods purchased by the Association such as IT systems down to small-scale purchases such as safety jackets for staff.
- Partnering arrangements, whereby funding is not exchanged but two or more agencies provide services to each other, for example our Memorandum of Understanding with Skye and Lochalsh Citizen's Advice Bureau.

6.3 In developing this strategy we have identified four strategic objectives and have set out the principles by which procurement should be undertaken. Where our current practices fall short of the desired standard or improvements can be made, then these are highlighted and actions set out to remedy the situation and ensure the overall aim of the strategy will be met. We have identified eight key actions that we need to undertake for this and they are set out in Appendix 2. The detailed action planning to deliver the strategy will be built into the annual delivery planning process.

## **7 OBJECTIVE 1 - VALUE FOR MONEY**

7.1 Value for money must form the basis for all procurement decisions taken by the Association. Each procurement decision should be based on whether services or goods can be provided in a more effective, efficient and economical way. In the context of procurement, obtaining value for money means choosing the goods/service which offers the optimum combination of whole life cost and benefits to achieve our corporate aims and objectives.

This may not necessarily be the lowest price option.

7.2 All options should be considered, and the decision should take into account the organisation's obligations in terms of delivering quality, social value, managing risk and managing health and safety.

7.3 We will ensure quality and service through formal contract performance meetings with key suppliers and contractors, and feedback from customers and other stakeholders.

7.4 The Association will continue to look to secure partnerships which can be applied to several projects and/or work streams over a period of years to encourage delivery in the most efficient and cost effective manner by maximising the use of collaborative contracts (where appropriate).

7.5 We will seek to reduce administrative waste through reviewing, challenging and adapting processes and procedures to adopt appropriate new technology

(e.g. e-procurement), changing supply chain relationships, streamlining back-office processes and reducing transaction costs.

- 7.6 We will continuously improve through cycles of learning. Procurement is not a single event; it requires a culture of review, challenge, adaptation and continuous improvement to ensure optimal performance in a changing environment. The Association will regularly review current performance, value for money and processes in the context of the wider market to ensure that we are making the most appropriate procurement decisions.

## 8 OBJECTIVE 2 - CUSTOMER FOCUS

- 8.1 We will aim to ensure that customers are appropriately involved in procurement activity by:

- Consulting customers in determining priorities for expenditure and considering potential efficiencies.
- Consulting customers in procurement decisions that affect them and engaging with stakeholders to design services to meet the needs of customers.
- Undertaking customer satisfaction surveys to understand user views, with the results published internally and externally and fed into an improvement plan which is regularly monitored.

## 9 OBJECTIVE 3 - INTEGRITY & PROBITY

- 9.1 Controls within the procurement and financial processes exist to promote good practice and help the prevention of fraud. The Association requires compliance with appropriate legal and regulatory requirements and the internal controls as set out in Standing Orders, financial regulations and the financial delegations. To ensure that our procurement approach is applied consistently and transparently across the whole organisation we have established a number of key principles to guide our approach to procurement.

- 9.2 Any staff involved in procurement processes or in the tendering of contracts should act at all times according to the principles of **impartiality, independence and integrity**.

These principles should be followed by all those involved;

- All procurement activity should comply with both letter and spirit of law, the Association's policies and contractual commitments.
- Staff undertaking procurement should seek to optimise the use of the Association's resources
- There is no conflict between official duties and private interests
- There should be no improper influence placed on any person involved in the procurement process to show favour (or disfavour) towards any

supplier, and that the perception is not created that decisions have been influenced by a gift, hospitality or relationships.

- At all times suppliers must be dealt with in an honest, fair, open and even-handed way
- Information provided by suppliers should be regarded and treated as confidential at all times
- Staff and Management Committee members will operate in accordance with the Standing Orders, Code of Conduct for Staff, Financial Regulations, and the following policies: Anti-Bribery; Fraud and Error; Whistle-blowing; and Entitlements, Payments and Benefits.

9.3 It is vital that all staff and Management Committee members involved in the letting of contracts on behalf of the Association act with the utmost propriety. There must be no hint of bias in the award of any contract. Accordingly, under the Declaration of Interests, staff and Management Committee members must register all their financial and other interests (e.g. interests in land, local businesses). Declarations must also be made in relation to family members and close associates (friends). Those acting on behalf of the Association must always be fair and be seen to be beyond reproach. Where a conflict of interest arises, the staff member must have no involvement in any aspect of the procurement process relating to their declaration including, but not limited to, the selection, awarding, management, monitoring or control of the contract. For full details please see the Code of Conduct for Staff and Management Committee members.

9.4 In line with the Bribery Act 2010, the Association prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or organisation.

## **10 OBJECTIVE 4 – SUSTAINABILITY & SOCIAL VALUE**

10.1 Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis, in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment. Our Sustainability Policy provides further detail.

10.2 The Association will, where appropriate, work with providers to minimise the environmental and social impacts associated with products and services.

10.3 When procuring larger contracts, either directly or via partnerships, we will, where appropriate, seek to leverage additional social value in the form of providing apprenticeships and/or employment opportunities within the local community as part of contract specification. We will also endeavour to work with local businesses to ensure that they are able to compete for our business against suppliers and contractors from outside the region.

## **11 KEY PERFORMANCE INDICATORS**

- 11.1 The Procurement Key Performance Indicators (KPIs) are identified in the Appendix 1 of the Procurement Strategy.
- 11.2 The monitoring and review of the Procurement KPIs will be included within the Procurement Strategy update meetings held on a quarterly basis with the Association's Senior Managers.
- 11.3 The reporting of the Procurement KPIs will be on an annual basis to the Association's Audit, Finance and Performance Sub Committee and will also be copied to the Management Committee.

## **12 REVIEW OF STRATEGY**

- 12.1 This document will be reviewed by the Management Committee or Sub-Committee set up for that purpose in accordance with the requirements of the Association's Register of Policies and Procedures.
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**Procurement Key Performance Indicators**

<b>Key Performance Area</b>	<b>Measure</b>
Efficiency Savings	2% of rental income
Compliance with procurement legislation (and best practice)	No legal or official challenges regarding procurement process
Supplier satisfaction with procurement process	95% of suppliers satisfied
Contract compliance	97% of suppliers successfully completing contract. No contracts terminated due to poor performance.
Customer satisfaction with performance of contractor	95% of customers satisfied with contractor performance
Supplier base	Review and reduce the number of suppliers

**Procurement Improvement Plan**

	<b>Objective</b>	<b>Action Taken</b>	<b>Future Key Actions</b>	<b>Date</b>	<b>Completed</b>	<b>Delegated person</b>
1.	<b>Procurement Leadership &amp; Governance</b>					
1.1	Identify a lead procurement person	Director of Investment is the responsible person as identified within 4.3 of The Procurement Strategy	Amend Job Description and include Procurement as an item within Management Team Meetings	End Sept 16 End Sept 16	✓ ✓	DOI CE/DOI
1.2	Review formal governance around procurement	Delegated authority and spend levels included in Standing Orders	Procurement Manual to be developed Arrange internal training on governance	31 March 2017 31 March 2017	Ongoing Ongoing	DOI DOI
1.3	Organisational Procurement to be part of Internal Audits		Agree inclusion of Procurement in next Internal Audit Plan. Schedule into Quinn Internal Audit and Business Support Services	November 2016	✓	CE
2.	<b>Procurement Strategy and Objectives</b>					
2.1	Create a Procurement Strategy	Procurement Strategy with KPIs and Improvement Plan recommended for approval by Management Committee	Review plan on annual basis	Sept 2016	✓	DOI
2.2	Create a sector template strategy	Include on Agenda for Half Yearly Liaison Meetings	Continue to meet six monthly	Every 6 months	Ongoing from 27/9/17	CE
3.	<b>Defining the Supply Need</b>					
3.1	Use Public Contract Scotland (PCS)	First contract to be tendered via PCS in September/October 2016	Seek further guidance on use of PCS	31 March 2017		DOI

3.2	Reduce number of preferred suppliers		Consider ways to migrate away from those practices with support from Scotland Excel to achieve this	Sept 2017	✓	DOI
3.3	Procurement Sustainability	Review Sustainability Policy	Concentrate more on economic sustainability by:	Sept 2017	Nov 17 Committee	EAM/DoI
3.4	Use Quick Quotes			31 March 2017	TBA	DOI
4.	<b>Procurement Commodity/ Project Strategies &amp; Collaborative Procurement</b>					
4.1	Implement a corporate wide approach to procurement		Include Procurement as an item within Management Team Meetings (to extend beyond Development and Property Services)	End Sept 2016	✓	DOI
4.2	Introduce Contract Strategies		Include template in Procurement Manual. Liaise with Scotland Excel to develop on a proportionate basis	Sept 2017	Ongoing from 27/9/17	DOI
4.3	Develop guidance on the use of community benefits	Community benefit clause built into building contracts	Report to Management Committee for approval of Community Benefit proposals	Sept 2017	✓	DOI
4.4	Review key contracts and ascertain risk levels	Insurance contract reviewed and efficiency savings of £50,000 p.a. over three years achieved	Review all key contracts (included on Contract Register) and consider inclusion in Risk Register	Sept 2017	✓	CE/FSM/DOI
4.5	Consider financial risk management for key contracts		Seek advice from Scotland Excel and consider what elements can be adopted for key contracts	Sept 2017	Ongoing from 27/9/17	DOI
4.6	Consider wider collaboration within	Review of joint Local Authority and Highland	Include collaboration as Agenda Item in future Half Yearly Liaison	Sept 2016	✓	CE



	Housing Association sector and within other public bodies	Housing Associations Design Brief and Specification underway and co-ordinated by LSHA	Meetings			
4.7	Consider the wider use of National and Sectorial collaborative contracts		Include in future Half Yearly Liaison Meetings Investigate fully the Scottish Model of Procurement	Sept 2016 Sept 2017	✓ Ongoing from 27/09/17	CE DOI
4.8	Consider opportunities to utilise goods and services from Supported Businesses in Scotland		Seek advice from Scotland Excel	Sept 2017	Ongoing from 27/09/17	DOI
5.	<b>Contract &amp; Supplier Management</b>					
5.1	Introduce a Contract Register	Meet immediately with Chief Executive and Managers	Review on annual basis	Sept 2016	✓	CE/DOI/ FSM/CSM
5.2	Implement corporate wide approach to Contract Management		Investigate examples of good practice and benefits and introduce over and above development projects	Sept 2017	Continuous	DOI
6.	<b>Key Purchasing Processes &amp; Systems</b>					
6.1	Consider corporate wide strategic review of procurement system needs		Identify needs and incorporate into organisational IT strategy	Sep 2017	TBC	CE/DOI/ FSM/CSM
7.	<b>People</b>					
7.1	Identify a Procurement Champion within LSHA	Director of Investment identified for this role	Require signposting – J.D. or organisational chart	Dec 2017	✓	CE/DOI
7.2	Include elements within J.D.s and responsibilities to cover key elements of procurement activity within LSHA		Managers to consider roles within procurement	Dec 2017		All Managers

7.3	Introduce Procurement Training and Development Plan		Agree list of devolved procurement individuals (each Service Manager)	Annual	Ongoing	DOI/ All Managers
8.	<b>Performance Measurement</b>					
8.1	Broaden the scope of procurement reporting		Introduce community benefits, savings and other benefits resulting from good procurement practices	Sept 2017	✓	DOI
8.2	Consider procurement performance measurement/ benchmarking		Consider in house and at Half Yearly Liaison Meetings	Sept 2016	✓	CE