

Procurement and Value for Money Strategy

Strategy	Procurement and Value for Money Strategy
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Great Homes
Great People
Great Services
Great Results



CREATING GREAT PLACES TO LIVE

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1. Introduction

- 1.1 The purpose of the this strategy is to clearly communicate Loreburn Housing Association's approach to procurement and value for money to all staff, partners, suppliers and other stakeholders.
- 1.2 As an organisation we are striving to become recognised as one of the best performing housing associations in Scotland and as a function procurement must be used to drive efficiency, value for money and continuous improvement. It is recognised that there is currently room for improvement in procurement across the organisation.
- 1.3 This strategy sets out our commitment and aims to utilise procurement to deliver great services by investing in our communities and growing our business whilst maximising the impact of every pound we spend.

2. Procurement Vision & Mission Statement

2.1 Our Procurement Vision is:

"To exceed customer and stakeholder expectations of services and supplies, whilst delivering value for money, community benefit and innovation. We will do this through effective commissioning and procurement to support the objectives of the Loreburn Corporate Plan."

2.2 Our Procurement Mission Statement is:

"To provide strategic direction for procurement across the organisation through knowledge and collaborative working practices with a central focus on delivering enhanced services, continuous improvement and value for money through open, transparent and ethical procurement procedures that deliver sustainable social and environmental benefits to our communities."

Our procurement policy is currently under review.

3. Background

- 3.1 As a registered social landlord and charity we spent approximately £11.5M purchasing goods, services and works contracts in 2015/16. Purchasing is carried out by all functions across the organisation and ranges from the purchase of office stationary, IT equipment to repairs, maintenance services and building contracts.
- 3.2 Under EU Procurement regulations, Loreburn are categorised as a public body, therefore we are legally obligated to ensure we comply with the Scottish and EU procurement regulations. This supports the Scottish Government's aims of "delivering procurement that improves public services for a prosperous, fairer and more sustainable Scotland."
- 3.3 This document outlines the strategic direction for procurement across the organisation to enable us to support our Procurement Mission Statement as well as the overarching objectives of the Scottish Government.

4. Objectives

4.1 The objective of this strategy is to support the Corporate Plan by delivering best-in-class procurement outcomes which are customer focused whilst achieving optimal value for money, innovation and delivering sustainable social value and working within the requirements of the regulations.

4.2 To achieve this we will:

- Meet all legal requirements to best practice standards to ensure all procurement activities and open, transparent and ethical
- Maximise Value for Money through effective commissioning
- Enhance the sustainable environmental and social value performance of LHA
- Ensure effective integration across all functions
- Ensure all procurement activities are fair, open, transparent and ethical
- Ensure that all staff involved in procurement are suitably trained and safeguarded from actual or perceived corrupt or fraudulent activity
- Continually review our processes and services to meet the evolving needs of our customers
- Continually review the risk from tendering activities and assess if the current model of operation complies with the changing legal requirements
- Ensure our suppliers deliver what they promise, where they fall down on those promises we will hold them to account
- Encourage our suppliers to provide innovative solutions
- Communicate the benefits of our tendering process to our customers and stakeholders.
- Monitoring of key Performance indicators

4.3 In delivering this strategy we will consider the following items :-

- Our Planned & cyclical maintenance programme
- Our Development Programme
- Tender process document templates
- Electronic tendering systems
- Procedures and guidance
- Value for Money
- TUPE
- Risk Management
- Sustainable social and environmental performance
- Contract management and procurement training
- Public Contracts Scotland training
- Finance & ICT systems
- Customer and stakeholder involvement
- Collaborative working with peer organisations
- Identify opportunities to achieve VFM through existing frameworks
- Mixed Tenures : Owner Occupiers / Shared Owners
- Payment of a living wage
- Health & Safety
- Ethically traded goods
- Payment of invoices
- Innovation

4.4 These will be prioritised and monitored through the Procurement & Value for Money Action Plan.

5. Key Items

5.1 Tender Process Document templates

A suite of standard templates will be developed for use on various stages of the tender process which will be stored in a central location for all staff to access. This will include the tender procedures, process guides and standard document templates.

5.2 Electronic Tendering Systems

The preferred method for tendering will be the e-tendering and quick quote system available through Public Contracts Scotland. Local suppliers will be encouraged to sign up to this system to enable them to bid for works and services contracts. Where this is not feasible or is seen to exclude local contractors paper based tenders may be considered.

5.3 Procedures and Guidance

The provision and maintenance of up to date procedures and guidance will support our ability to manage procurement processes effectively and in line with relevant legislation to minimise risks of potential supplier challenges.

To assist with effective procurement we will:

- Implement and maintain a contracts register to better manage new tenders and share the knowledge of current contracts across the organisation
- Ensure procedures and guidance notes are reviewed and improved on a scheduled basis. Service improvement plans will be implemented for all aspects of procurement and updates provided to the EMT with training provided to the relevant staff.
- Keep up to date with changes to Scottish and EU procurement legislation

5.4 Value for Money

To maximise value for money through procurement activity we will utilise competitive tendering and consider accessing existing frameworks established and participating in collaborative contracts to gain best value.

When trying to realise value for money gains the following options should be considered:

- Increased quantity or quality procured for a reduced cost
- Same quantity and quality procured for a reduced cost
- Increased quantity or quality procured for the same cost
- Increased quantity or quality procured for an increased cost

Forward planning of tenders and potential savings from the introduction of cost reduction and/or added value targets will be considered for all tenders to drive competitive pricing and continuous improvement. These targets will be reviewed throughout the life of a contract establishing an open dialogue with the supplier/contractor to drive cost reduction, added value and continuous improvement at a level reflective of the scope of the contract and the economic operating context.

This will be used to forecast savings with the results achieved being monitored and reported to our EMT quarterly.

Internal processes will be established to drive value for money. These will include service reviews to strip out unnecessary processes to increase efficiency, the use of mobile working to enhance productivity for staff working out of the office and the implementation of a new ICT system to increase efficiencies of monitoring and reporting. Enhanced contract management procedures will also be introduced to ensure the best possible value and level of service is received from our suppliers and contractors.

The promotion of value for money principles and efficient working practices across the organisation is a key focus of Loreburn's Corporate Plan and will be delivered through the implementation of Annual Plans and associated targets.

5.5 Development Programme

We have made a commitment to delivering approximately 180 new build units during the lifetime of this strategy. This will amount to our most expensive and highest risk procurement activity.

Great Homes & Great Design

In order to deliver Great Homes whilst achieving value for money, we will develop strong and collaborative working partnerships with consultants including architects, principal designers, quantity surveys and engineers. This will be achieved by appointing two Design Team's for a long-term contract of 3 to 4 years. This arrangement will promote joint working; finely tuned designs, and will enable active learning from previous projects. We will encourage our design teams to provide us with innovative ways of designing and building new properties rather than adopting a similar style scheme for each of our developments.

We will endeavour to appoint consultants who can demonstrate a strong commitment to the area and the communities we serve whilst procuring services in line with the regulations.

We will look at adopting best value approaches for the procurement of contractors for our new build and major works programmes, which may include a framework agreement, and other partnership arrangements.

5.6 TUPE

TUPE legislation will be considered, with legal advice being sought and outcomes incorporated into all tender documents to minimise risks of potential challenge. Standard templates will be developed and incorporated into the suite of procurement documentation.

5.7 Risk Management

The understanding, prioritising and addressing of risk through the appropriate mitigation and management strategies is fundamental to the effectiveness of the procurement.

Key principles for risk management are that:

- When tendering we assess a bidders capabilities and financial health
- On-going risk assessments of key suppliers as part of contract management
- We carry out Dunn and Bradstreet (or equivalent) credit checks for key suppliers
- Procurement processes must comply with all internal rules and external laws and be open, transparent and ethical to minimise risk of challenge from suppliers
- Staff involved with tenders and contracts are appropriately trained in procurement and contract management
- The structure of Procurement is reviewed regularly to assess its suitability

5.8 [Sustainable social and environmental performance](#)

Where ever possible we will strive to maximise the social value and environmental benefits from tendering activity. Standard guidance will be provided on how to maximise the inclusion of these attributes within the requirements of any tender. We will work with our contractor/suppliers and train them on sustainable procurement.

Consideration will be given to how we work with local and national bodies to encourage and support local contractors to engage with e-tendering and two stage tender processes through Public Contracts Scotland.

5.9 [Contract Management and Procurement Training](#)

Our objective is to actively assist with contract tenders, leveraging the optimum value through a structured approach in accordance with best practice.

Our key principles for contract management and procurement are that:

- The procurement procedure will determine the principles of best practice procurement, which will be delivered in accordance with internal policy, statutory requirements and industry best practice
- Tendering and quotation guidance and procedures will underpin procurement practice and will be in accordance with the Standing Orders and Financial regulations
- All procurement processes will consider value for money (VFM) as a function of cost & quality
- Group expenditure needs will be collated to ensure that best price and leverage opportunities are exploited wherever opportunities arise
- Clear contract management principles will be implemented across the group, taking account of contract scale and risk in all its forms
- A register of all contracts will be maintained, recording agreed management techniques. Key aspects of each contract will be periodically reviewed

5.10 [Public Contracts Scotland Training](#)

Where practicable, procurement will be carried out through the Public Contract Scotland website, via the e-tendering or the quick quote function. Larger more complex

tenders and those above the OJEU thresholds will be overseen by the Finance & Procurement Manager and/or the relevant department manger as appropriate.

5.11 [Finance & ICT Systems](#)

Functions throughout the organisation will work collaboratively with the Finance team to improve the management of spend and the identification of contracting opportunities from consolidating commitments to give a better economy of scale. This process will be enhanced by the use of Aareon QL software system.

We have recently updated our Financial Regulations, and these will be implemented from the 4th January 2017.

Our tendering rules can be summarised as follows:-

Estimated Cost	Procedure
Up to £5,000	Best Value, based on knowledge, experience and such comparatives as may be available based on figures and using at least one quote
£5,000 - £25,000	2 Quotations
£25,001 - £50,000	3 Quotations
£50,000 – EU Threshold	Tender Invitations
Above EU Threshold	Tender process must comply with EU directives

All staff procuring goods and services will contribute to the maintenance of the contracts register and will avoid unnecessary tendering for goods and services where a contract already exists.

5.12 [Customer and Stakeholder Involvement](#)

We will actively involve customers in designing and delivering the services they require.

Customers and stakeholders need to understand the services available, how to access them, how they are performing and how they can shape these services. To achieve this we will:

- consider consultation opportunities in all commissioning exercises
- include customer and stakeholder representations on tender preparation including bidder interview panels for key contracts.

5.13 [Collaborative working with Peer organisations](#)

We will liaise with other sector organisations and consider opportunities for a joint purchasing to optimise opportunities for value for money. We will participate in benchmarking amongst peers to establish if best value is achieved and share information to better services across the sector. We will also talk to people out with our peer group for any opportunities for value for money and for innovative ideas.

5.14 [Identify opportunities to achieve value for money through existing frameworks](#)

A scoping exercise will be undertaken to assess any opportunities for value for money gains through access to existing Frameworks open to housing associations such as Scotland Excel, Procurement for Housing and the Scottish Procurement Alliance.

5.15 Mixed Tenures

Consideration will be given to the consultative requirements for customers of all tenures, (shared owners, owner occupiers, tenants), especially where there are service charge implications.

5.16 Payment of a living wage

Under the Scottish Governments guidance within the procurement reform (Scotland) Act 2014 a Living Wage is a rate of pay which is enough to ensure that those receiving it can enjoy an acceptable standard of living.

We will not reserve any element of the overall tender score specifically to the payment of the Living Wage; however we will encourage contractors and suppliers to pay the Living Wage.

All tenderers, irrespective of the goods, services or works they supply/provide will be asked to provide a statement on how they support the above guidance.

5.17 Health & Safety

All tenderers, irrespective of the goods, services or works they supply/provide are required to meet current legislation. i.e. the Health & Safety at Work Act 1974 etc. The Construction (Design and Management) Regulations 2015, all other relevant legislation and codes of practice. Respective tender documentation will declare any specific requirements, performance measuring, reporting requirements above those which are a statutory requirement.

5.18 Ethically Traded Goods

Under the Scottish Governments guidance within the procurement reform (Scotland) Act 2014 we are required to consider the relevant and proportionate application of fair and ethical trading principles.

We will encourage contractors and suppliers to have due regard to the TFEU fundamental principles.

All tenderers, irrespective of the goods, services or works they supply/provide will be asked to provide a statement on how they support the above guidance. Respective tender documentation will declare any specific requirements, performance measuring, reporting requirements above those which are a statutory requirement.

5.19 Payment of invoices

Late payment legislation places a statutory duty on all public bodies to pay commercial debt within 30 days.

So far as reasonably practicable we will make payments no later than 30 days after the invoice relating to the payment is presented.

All tenderers, irrespective of the goods, services or works they supply/provide will be asked to provide a statement on how they support the above requirement, to, where reasonably practicable ensure timely payments to sub contractors and their sub contractors are made. Respective tender documentation will declare any specific requirements, performance measuring, reporting requirements above those which are a statutory requirement.

5.20 [Innovation](#)

We will work closely with our suppliers to ensure that new ideas are created as part of the value for money approach. We will present the problems we identify in our business to them and we will work with our suppliers to come up with new innovate ways that our customers and stakeholders will benefit from.

6. **Annual Procurement Report**

In line with the requirement of the Procurement Reform (Scotland) Act 2014, we will produce, and publish on our website, an Annual Procurement Report as soon as practicable after the end of the financial year. This report will include:

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

6.21 The information provided in our Annual Procurement Report will be used by Scottish Ministers to prepare an annual national report on procurement activity in Scotland.

7. **Responsibilities**

7.1 [Finance and Procurement Manager](#)

The overall responsibility to ensure that the Procurement and Value for Money Strategy is promoted across the organisation will sit with the Finance and Procurement Manager.

The Finance and Procurement Manager, assisted by department Managers, will also be responsible for:

- reviewing this strategy and associated procedures and guidance documents are at least every 12 months or more frequently as required as a result of changes to legislation or internal process reviews
- monitoring the progress of the associated Action Plan on a quarterly basis and highlighting any concerns to the Executive Management Team
- preparing and publishing the Annual Procurement Report

Managers

Managers across functions will have responsibility for procurement carried out within their department with support from the Finance and Procurement Manager as required. It will be the responsibility of department Managers to delegate procurement activities appropriately and ensure that staff involved are appropriately trained and supported.

All Staff

It will be the responsibility of all staff involved in procurement activities to ensure that the procurement procedures are followed diligently and to seek guidance from their Manager as required throughout the procurement process.

All staff will be responsible for making their Manager or the Finance and Procurement Manager aware of any potential risks to the organisation relating to procurement that they become aware of.

8. Monitoring and Review

- 8.1 This strategy will be reviewed at least every 12 months or more frequently as required as a result of changes to legislation or internal process reviews. Key actions from the review will inform the associated Action Plan which will be subject to quarterly monitoring.
- 8.2 The review will be completed by the Finance and Procurement Manager, assisted by departmental Managers as required, and circulated to the Executive Management Team for consideration before being presented to the Management Committee for approval.