



PROCUREMENT STRATEGY

2016-19

1.0 PROCUREMENT STRATEGY

1.1 This strategy complements and informs SBHA's strategic business plan and key organisational documents, setting out the context, objectives and approach to procurement throughout SBHA.

1.2 A procurement strategy is a plan which facilitates and improves procurement within the Organisation to allow SBHA to move forward against its set of strategic business targets. The procurement strategy will set out:

- The Objectives of the Strategy
- The Scope of the Strategy
- Key Actions and Targets in the form of an improvement plan (Appendix 1).
- Procurement spend projection (Appendix 3)

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

- Strategic Business Plan 2016-21
- Customer Care Policy
- Asset Management Strategy 2015-2020
- Risk Management Policy
- Codes of Conduct for Governing Body Members and Staff
- Staff Charter
- Whistle Blowing Policy
- Fraud and Theft Policy
- Entitlements, Payments and Benefits Policy
- Procuring Goods, Services and Works Policy
- Tender Procedures Document

2.0 OBJECTIVES OF THIS STRATEGY

2.1 The size and capacity of the Organisation dictate that a significant amount of activities of SBHA will involve procurement from external sources for goods, works and services in order for its objectives and aims to be delivered. To ensure continuous improvement and support our key values and aims, it is essential to develop a clear procurement strategy for how these goods, works and services are selected, acquired and managed.

2.2 The overall aim is to facilitate and improve procurement within the Organisation. To deliver this, we have established four key objectives:

- **Customer Focus:** To ensure that procurement is aligned with the needs of our customers and that our customers are appropriately involved and supportive of our procurement activity.
- **Value for Money:** To achieve optimal value for money (VfM) through effective procurement and to reduce the cost of procurement.
- **Integrity:** To ensure that all procurement activity is ethical and that SBHA 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.

- 2.3 As with any strategy, to ensure it is effective, it must be communicated and embedded throughout SBHA. It is essential that individuals with responsibility for procurement activities are familiar with the SBHA procurement strategy and the principles which guide our procurement activity.
- 2.4 This strategy is not intended as a procedure manual but is to provide guidance on the way in which the procurement activities of SBHA contribute towards the Strategic Business Plan.

3.0 SCOPE OF THIS STRATEGY

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

- Asset Management
- Development
- Customer Services
- Corporate Services (HR, Finance, ITC, Legal, PR & Marketing)
- Property Services Division (DLO)

3.2 It covers the following activities:

- Delivery of services to SBHA customers by external private sector contractors on behalf of the Organisation.
- Services received by SBHA customers provided by an internal Organisation or external public sector (Local Authority) as part of a service level agreements with SBHA.
- Purchase of specialist services such as legal advice, treasury, audit, consultancy and training.
- Goods purchased by SBHA such as IT systems down to PPE items.
- Partnering arrangements, whereby funding is not exchanged but two or more agencies provide services to each other, for example peer review of operations by another Organisation which is reciprocated by SBHA.

3.3 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 key actions that we need to undertake for this and they are set out in Appendix 1. The detailed action planning to deliver the strategy will be built into the annual delivery planning process.

4.0 KEY ACTIONS

4.1 SBHA has identified eight key actions to be implemented over the next three years.

Those actions are summarised below:

- To raise awareness and understanding of the Procurement Strategy, ensure that staff responsible for procurement and contract management are fully conversant with the principles of good supply chain management.
- To review our current routes to market, evaluate the use of consortia and framework agreements, establish a clear process for joining groups and the benefits to be achieved.
- To review the scope of the contractor/consultant approved list to ensure it covers all of SBHA activities, or have agreed alternative arrangements in place.

- To review the central contract register, ensure its maintained and kept up to date while improving its functionality and ease of use.
- To increase the use of e-procurement tools to further streamline our procurement activity and reduce administrative waste
- To devise and implement a plan to increase awareness and compliance with our procurement related governance policies.
- To encourage contractors sign up for the living wage in relation to letting new contracts.
- To review asset development and maintenance procurement with the aim of contracting with smaller / local contractors to reduce build costs and boost the local economy and community.

5.0 WHAT DOES PROCUREMENT MEAN TO SBHA

5.1 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 Organisation through the exchange of funding, partnering or contracting.

'Procurement is the whole process of acquisition from third parties (including logistical aspects) and covers goods, services and construction projects. This process spans the whole life cycle from initial concept and definition of business needs through to the end of the useful life of an asset or the end of a services contract'

Source: Review of the central Government, Peter Gershon 1999.

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.

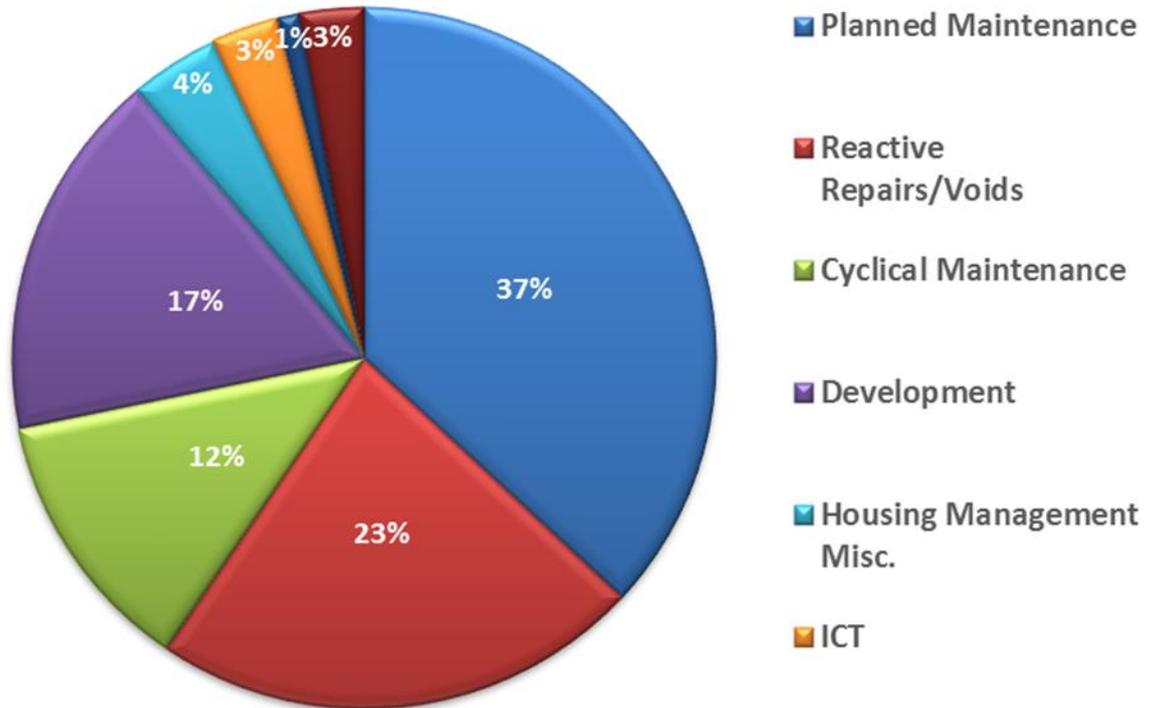
5.2 This strategy complements and informs SBHA's strategic business plan and other key organisational documents and sets out the context, objectives and approach to procurement that should be adopted throughout SBHA.

SBHA will ensure that it procures supplies, services and works that represent the best balance of quality and value for money for its customers.

6.0 SBHA'S PROCUREMENT EXPENDITURE

6.1 In 2015/16, SBHA's spent over £15.1m on procured services. The main areas of spend are shown below:

SBHA Procurement Expenditure 2015/16



6.2 The procurement of services and goods is regulated by EU rules, our financial policies, procedures and code of conduct. In order to achieve efficiencies and improve services, it is necessary to procure legally, competently and allow innovation within procurement. SBHA's approach to procurement is based upon a mixture of different methods including partnership, consortia procurement, quotes and tenders and specialist services designed to ensure the highest level of VfM. SBHA does not have the scale of operation that would sustain a central procurement service and as such responsibility for procurement lies with budget holders.

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

Development: This accounts for less than 20% of spend for the Organisation. SBHA has been focused on solutions for hard to let stock such as refurbishment and reconfiguration alongside modest new build projects in recent years.

SBHA is reviewing opportunities for development of existing land within the portfolio, and acquisition through various Groups. All decisions will be in alignment with our Strategic Business Plan, and supported by local and national government initiatives and grant funding arrangements.

Maintenance - Planned: Planned maintenance expenditure accounted for £5.5m in the last financial year. All works were based on a stock condition survey which ensures all of our stock continues to meet and comply with the Scottish Housing Quality Standards (SHQS). The type of works previously covered mainly ranged from internal replacements such as kitchens, bathrooms, rewires and boilers. A focus in coming years will include external works such as roofs and roughcasting as well as measures to increase the energy efficiency of homes such as windows, doors, heating systems and insulation to meet the Energy Efficiency Standard for Social Housing (EESH). Also specialist consultancy services where required.

Works are benchmarked and delivered through internal arrangements with the SBHA Property Services Division and external non-core services are contracted out using a competitive tendering process utilising the Public Contract Scotland e-procurement tool.

Maintenance - Cyclical: This covers external painting services, fire safety (communal fire alarms, emergency lighting and other fire equipment such as fire extinguishers), heating systems (including gas safety checks), Grounds Maintenance and property Health and Safety specialist consultancy services. All works are undertaken internally through SBHA Property Services Division or contracted out and awarded through a series of competitive tenders.

Maintenance - Reactive Repair/Voids: Whilst SBHA operates a Property Services Division (DLO) who provide both planned and reactive services to customers, a portion of this work is outsourced competitively based on capacity and timeline constraints. Materials are procured through a preferred supplier arrangement, which adds benefit of reduced administration and stock levels as well as increased financial control.

Outsourced works are traditionally procured through a number of separate tender exercises. SBHA have identified that savings could be made using a procurement consortia call-off approach, which can accommodate the type and responsive nature of the works.

Housing Management: This area covers predominantly property insurance, legal costs arising from bad debt recovery and utilities for void properties, and subsequent estate management.

These are specialist services and are catered for using both a competitive tendering process and using direct award via Procurement consortia Frameworks.

ICT: This includes all information, communication and technology equipment, infrastructure and software for the Organisation. Significant capital investment and improvements have been made recently to ensure the systems and platforms operate both reliably and to their optimum level.

All IT spend is competitively tendered using both e-procurement tools and consortia Frameworks.

Training, Development and Recruitment: This is a key focus area for SBHA and is in alignment with our on-going commitment towards “Investors in People” and continuous development of all employees and Governance Members within the Organisation.

To this end we invest regularly on using specialist providers in their field who understand the sector and SBHA’s needs and future requirements. All services are procured using a competitive tender process in alignment with our internal procedures and process.

Corporates Services: SBHA spends approximately £1m in this area, which covers business insurances, legal fees, printing, stationery and photocopying, trade membership subscriptions and periodicals, PR and hospitality, and Scottish Borders Tenants Organisation costs.

All activities are reviewed and procured using the most efficient and reasonably practicable route to acquire the services and products. The Organisation will use both a competitive tender approach and consortia Frameworks.

7.0 OBJECTIVE 1 – CUSTOMER FOCUS

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

- Consulting customers in determining priorities for expenditure and potential efficiencies.
- Consulting customers in procurement decisions that affect them, engaging with stakeholders to design services to meet the needs of customers.
- Involving customers in the selection of services and providers where this is deemed beneficial to both parties.
- Ensuring customers involved in procurement consultation are given appropriate training to help them make informed decisions that support and promote our procurement strategy.
- Undertake Customer Scrutiny projects, obtaining feedback against the quality and service delivered from procured services.
- 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.

8.0 OBJECTIVE 2 – VALUE FOR MONEY

8.1 Value for money must form the basis for all procurement decisions taken by SBHA. Each procurement decision should decide 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 costs, quality, and service benefits that achieve our strategic objectives.

This is not necessarily the lowest price option.

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

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

8.4 SBHA will 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.

8.5 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.

8.6 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. SBHA 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.

9.0 OBJECTIVE 3 - INTEGRITY

9.1 Controls within the procurement and financial processes exist to promote good practice and help the prevention of fraud. SBHA requires compliance with the 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.

These principles are set out in Appendix 2 (A Consistent Approach to Procurement).

9.2 Any staff member 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 and include;

- All procurement activity should comply with both the letter and spirit of the law, SBHA policies and contractual commitments.
- Staff undertaking procurement should seek to optimise the use of SBHA resources where possible.
- 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 transparent way
- Information provided by suppliers should be regarded and treated as confidential at all times
- Staff will operate in accordance with the Standing Orders, Financial Regulations, and the following policies:
 - Code of Conduct Governing Body Members
 - Staff Charter
 - Staff Code of Conduct
 - Whistle Blowing Policy
 - Fraud and Theft Policy
 - Entitlements, Payments and Benefits Policy

9.3 It is vital that all staff involved in the letting of contracts on behalf of SBHA 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 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 Group 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.

- 9.4 In line with the Bribery Act 2010, SBHA prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company by any individual board member, employee, agent or other person or body acting on the Organisations behalf in order to gain any commercial, contractual or regulatory advantage for SBHA in a way which is unethical or in order to gain personal advantage, pecuniary or otherwise, for the individual or anyone connected with the individual.

10.0 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.
- 10.2 SBHA 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 consortia, 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.

11.0 MONITOR, REVIEW AND PUBLICATION

- 11.1 The Procurement Strategy Action plan will be monitored and reviewed on a regular basis by SBHA's Executive team, with an annual progress report provided to SBHA's Board of Management.
- 11.2 After the end of each Financial Year (2016-17) or when reasonably practicable, the Annual Procurement Report must be generated, reviewed, approved and publicised.
- 11.3 The Procurement Strategy and Annual Procurement Report will be made available for access on SBHA's website. Notification will also be made to Scottish Government Ministers that the organisation has complied with the legislation requirement.

Appendix 1: KEY ACTIONS AND TARGETS IMPROVEMENT PLAN

No.	Action	Priority	Year			Activity	Lead	Support
			1	2	3			
1	To raise awareness and understanding of the Procurement Strategy, ensure that staff responsible for procurement and contract management are fully conversant with the principles of good supply chain management.	High						
2	To review our current routes to market, evaluate the use of consortia and framework agreements, establish a clear process for joining groups and the benefits to be achieved.	Low						
3	To review the scope of the contractor/consultant approved list to ensure it covers all of SBHA activities, or have agreed alternative arrangements in place.	High						
4	To review the central contract register, ensure its maintained and kept up to date while improving its functionality and ease of use.	Medium						
5	To increase the use of e-procurement tools to further streamline our procurement activity and reduce administrative waste.	High						
6	To devise and implement a plan to increase awareness and compliance with our procurement related governance policies.	Medium						
7	To encourage contractors sign up for the living wage in relation to letting new contracts.	Low						
8	To review asset development ad maintenance procurement with the aim of contracting with smaller / local contractors to reduce build costs and boost the local economy and community.	Medium						
9	Review and Update the Procurement Strategy annually, and report on achievements delivered to organisation.	High						

Appendix 2: A CONSISTENT PROCUREMENT APPROACH

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:

- Procurement must comply with the Scotland Procurement Reform (2014) Act, the European Union (EU) Procurement Directives, and the Regulations that implement them in the UK, set out the law on public procurement, and our Financial Regulations.
- All suppliers, consultants and contractors must meet minimum SBHA standards in respect to health and safety, equality and diversity and carry levels of insurance suitable for the nature of the works, goods or services procured.
- All procurement decisions need to be open, justifiable and based on clear and relevant criteria. The logic for them needs to be explicit and there must be a clear audit trail indicating how any decision has been reached.
- Where partnering, consortia and/or joint procurement exercises are utilised the benefits of such an approach must be evidenced and recorded.
- All contract documentation must be stored safely and should not be destroyed during the life cycle of any contract. All contracts must be recorded on the SBHA central contracts register.
- The criteria and their weighting against which tenders are to be evaluated must be agreed before tenders are opened. It is expected that price will form at least 40% of any assessment which is sector best practice. A Director's approval is required where a lower ratio is being proposed. Social value criteria should be included in the selection of suppliers/contractors in compliance with legislation and or organisational thresholds. It is advisable to include the tender evaluation criteria within the tender specification.
- All risks should be identified so far as is reasonably practicable and managed and controlled in a cost effective way to ensure that the Organisation is not unreasonably, financially or operationally disrupted. It is incumbent upon any authorised employee involved in committing SBHA to a contract that they evaluate and manage that risk in accordance with the Risk Management Policy and deciding what measures should be implemented to manage risk and ensure continuity of operations.
- Contract specifications/service standards must be in place with contractors/suppliers. The performance of contractors/suppliers must be monitored, measured and appropriate records maintained relevant to the value of the contract. Good contract management involves working with our contractors/suppliers to not only improve our performance but that of the supply chain. If the contractor/supplier fails to meet the standards, the responsible SBHA employee must give them the opportunity to remedy the shortfall, but must have the ability (and contractual right) to ultimately terminate the contract within a reasonable period of time.

- Only use suppliers/contracts from an approved list or framework. No new suppliers should be used unless permission is given by a Director or as per the company policy.
- Financial assessment of suppliers/contractors must be undertaken in line with our due diligence and contract monitoring arrangements.
- During procurement exercises (or utilising suitable frameworks) and undertaking contract management we will apply a risk management approach to assess and monitor the competency and performance of contractors and service providers in health and safety. We welcome contractors utilising accreditation schemes such as 'safe contractor' or an equivalent industry scheme to help improve processes and outcomes.
- SBHA activities may require on a project by project basis the appointment of practice/person deemed competent to undertake the CDM-C role under the Construction Design and Management Regulations. For the purpose of clarity SBHA expect any persons appointed to this role to have membership of (or working towards membership) of one of the following bodies:-
 1. Member of the Health and Safety Register (ICE)
 2. Member of the Design Register (APS)
 3. Member of the CDM Co-coordinators Register (APS)
 4. Member of the CDM Co-ordinators Register (ICS) (formerly the Institute of Planning Supervisors)

APPENDIX 3: PROCUREMENT SPEND PROJECTIONS - 2016/19

SBHA are planning on maintaining a consistent level of expenditure in line with the Strategic Business Plan for the next 1-3 years:

- **Development** –The refurbishment of two final housing blocks in Stonefield, to complete the major regeneration of this estate. Modest New build housing developments in Galashiels and Kelso.
- **Planned Maintenance** – New heating systems and supplementary works to meet EESSH requirements. Sub-contract installation of new kitchens, bathrooms, doors, and windows.
- **Cyclical Maintenance** – Gas servicing and repairs contract covering all housing stock. Grounds Maintenance contract review and renewal process
- **Reactive Maintenance** – Materials preferred supplier contract review and renewal process.
- **Housing Management**– Undertake review and tender process for all Property Insurance requirements.