

LANGSTANE HOUSING ASSOCIATION LIMITED

PROCUREMENT

STRATEGY

Version Control

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1 Introduction

This strategy is designed to equip Langstane Housing Association Limited and its subsidiaries (hereafter referred to as “the Association”) with the direction required to continue meeting the overarching goals of attaining value for money and being able to demonstrate adequate governance and accountability in relation to the expenditure of Group funds. This Strategy covers all regulated procurement activities for the period from 1st January 2017 to 31st March 2018.

The Association is a “contracting authority” for the purposes of the Public Contracts (Scotland) Regulations 2015 (“the 2015 Regulations”) and the Procurement Reform (Scotland) Act 2014 (“the Act”). The 2015 Regulations specify the legal procedures which the Association must follow when buying supplies (above the value of £164,176), services (above the value of £164,176) and works (above the value of £4,104,394).¹

The Act introduces, in broad terms, a degree of regulation for certain procurements which are below the financial thresholds of the 2015 Regulations. As a result, all Association procurement requirements for services and supplies above £50,000 in value² and all Association procurement requirements for works in excess of £2 million shall now be “regulated contracts” for the purposes of the Act. Where a contracting authority has a likely annual spend of more than £5 million on regulated contracts, the Act obliges it to prepare and publish an annual procurement strategy.

In the context of this Strategy an “economic operator” is defined as a company which supplies goods and/or services to a contracting authority.

¹ These financial thresholds were set on 1 January 2016 and are valid for a period of 24 months thereafter

² This value is for the whole life of the contract, not simply an annual expenditure and is net of VAT.

2 Strategic Context

The Association anticipates that annual expenditure on regulated contracts will be in excess of £5 million per annum. At all times the Association has an obligation to ensure that all income, regardless of source, is expended wisely in the best interest of the future direction of the Association with operational evidence of having procured best value.

Best value procurement will

- be transparent;
- be driven by desired results;
- create the most economically advantageous balance of quality and cost;
- reduce the burden on administrative and monitoring resources;
- lead to simplified or routine transactions;
- encourage open and fair competition;
- follow all appropriate regulations and legislation.

The Procurement Strategy will focus on targeted efficiencies through use of appropriate models and information systems, of effective procurement policies and practices and collaborative contract arrangements.

The Association's Vision is "To increase the provision of good quality affordable housing, predominantly in the North East of Scotland, providing accommodation and accessible services for those who are disadvantaged in the housing market, in particular single persons". Cost-effective and best practice procurement is an essential factor in ensuring that the Association makes the most of its limited resources to meet this Vision. By purchasing appropriate and reliable goods and services, the Association is able to stretch budgets in support of its provision of housing and community support objectives.

There is currently no specifically assigned responsibility in the form of a procurement specialist within the Association. While purchasing activities are undertaken in a variety of ways within the individual operational functions, the Director of Finance and Corporate Services has overall responsibility for the role and purpose of the procurement process within the Association. The intention of the Procurement Strategy is to set out a number of key objectives to encourage, monitor and deliver the most effective procurement process.

The Director of Finance and Corporate Services will be responsible to the Board of Management for the implementation of the Procurement Strategy, reporting annually on progress to the Board of Management.

3 Strategic Objectives

- To promote the delivery of value for money through good procurement practice.
- To facilitate the development of an effective and co-ordinated purchasing function within the Association.
- To develop appropriate management information in order to measure the performance and value for money achieved by the Association.
- To embed sound ethical, social and environmental policies within the Association's procurement function and to comply with all relevant UK Legislation in all aspects of the Association's purchasing.
- To demonstrate openness and transparency, equal treatment, non-discrimination and proportionality in all of the Association's regulated procurement activities.
- To improve access to Association contracts particularly for small and medium sized enterprises.

4 Environmental

The Langstane Group has Environmental and Sustainability Policies through which it will:

- comply with, and exceed when possible, all applicable legislation, regulations and codes of practice;
- ensure that all staff are fully aware of the Environmental and Sustainability Policies;
- ensure that all environmental risks are assessed, managed and controlled;
- integrate sustainability considerations into all our business decisions;
- minimise the impact on the environment and our sustainability of our core activities; and
- review and continually strive to improve our sustainability and lessen our impact on the environment.

The Langstane Group shall meet its objectives set out above and where relevant, consider Environmental and Sustainability impacts on its procurement activities.

5 Procurement Policy

The Association has an existing procurement policy / manual which is aimed primarily at operational staff who require day to day guidance on how the Association can comply with procurement regulations. This Strategy aims to provide a higher-level overview of the Association's approach to procurement and to satisfy its obligations under the Act to publish a procurement strategy.

5.1 Ensuring that regulated procurement contributes to the carrying out of the Association's functions and achievement of its purposes.³

- Procuring officers will always consider the Association's functions, this Strategy and the procurement policy/manual at the outset of, and during, any procurement activity.
- Effective and relevant consultation will be carried out prior to, and throughout the life of, this Strategy.
- Effective and relevant consultation will be carried out, including with community and stakeholders, during procurement exercises.
- Joint procurement will be considered as a possible route for procurement process where the benefits of joint procurement can be demonstrably quantified.
- Effective contract and economic operator management procedures will be put in place to monitor the effectiveness of regulated procurements.
- Contract notices will contain clear outcomes.

5.2 Delivering value for money⁴

- The balance of value for money will be considered on a case by case basis, while ensuring consistency and transparency in procurement exercises.
- When considering procurements, the whole-life cost of each procurement will be taken into account in a clear, transparent and proportionate manner in line with the fundamental principles of the EU Treaty.
- The Association will use appropriately the flexibility afforded to it by the value for money concept in order to consider priorities that are relevant to the Association's particular area and the particular procurement, and align these with the Association's overall policy objectives.

³ Procurement Reform (Scotland) Act 2014 Section 15(5)(a)(i)

⁴ Procurement Reform (Scotland) Act 2014 Section 15(5)(a)(ii)

5.3 Duty to treat relevant economic operators equally and without discrimination⁵

- Clear and precise language will be used in all procurement documentation to allow all reasonably well-informed and normally diligent tenderers to interpret it in the same way.
- Standard pre-qualification questionnaires will be used for all tenders.
- The principles of equal and non-discriminatory treatment of economic operators are to be extended to all procurements, regardless of value.
- Contract size will always be considered, including the opportunity to break requirements into smaller lots.
- Desired outcomes will always be stated using clear and precise language, without stating how they should be achieved.
- Where appropriate, the Association will ensure early market engagement prior to the publication of a contract notice.

5.4 Duty to act in a transparent and proportionate manner⁶

- Wherever appropriate the Association will use electronic communication for all procurement activity, in particular making use of the Public Contracts Scotland website.
- Wherever appropriate open public and market engagement will be encouraged and utilised.
- Clear and precise language will be utilised in all procurement documentation, to prevent misinterpretation of content.
- Award criteria will be stated and will be inclusive and not overly burdensome.

5.5 Compliance with sustainable procurement duty⁷

- For all regulated procurements, the Association will always have regard to the Sustainable Procurement Duty Statutory Guidance as published.
- The Association will consider and, where appropriate use, the tools provided by the Scottish Government in relation to the sustainable procurement duty, e.g. the Scottish prioritisation tool, life-cycle mapping, the sustainability test and the Scottish flexible framework.

⁵ Procurement Reform (Scotland) Act 2014 Section 15(5)(a)(iii)

⁶ Procurement Reform (Scotland) Act 2014 Section 15(5)(a)(iii)

⁷ Procurement Reform (Scotland) Act 2014 Section 15(5)(a)(iii)

5.6 Policy on the use of community benefit requirements⁸

- The Association will, wherever appropriate, include contractual requirements in relation to community benefit requirements where these are in line with the Association's objectives as set out above.
- The Association will always have regard to the Community Benefits Statutory Guidance in respect of contracts with an anticipated value of more than £4 million.
- In respect of contracts with an anticipated value of more than £4 million, the Association will consider the inclusion of community benefit clauses, such as contractual requirements relating to training and recruitment, the availability of sub-contracting opportunities or otherwise intended to improve the economic, social or environmental wellbeing of the Association's area in a way which is additional to the main purpose of the contract in which the requirements are included.
- In respect of contracts with an anticipated value of more than £4 million, the Association will provide a summary of the community benefit contracts the Association intends to include as awards criteria or a statement of the Association's reasons for not including any such requirement.
- In respect of contracts with an anticipated value of less than £4 million, the Association will consider whether, despite there being no legal obligation to consider community benefit clauses, it would be appropriate to include community benefit clauses.

5.7 General policy on consulting and engaging with those affected by procurements⁹

- The Association will carry out appropriate consultation prior to the adoption of each of its annual procurement strategies.
- Where appropriate, the Association will consult and engage with relevant stakeholders in the context of individual procurement exercises. Such consultation and engagement will comply with the principles set out in the National Standards for Community Engagement and the Community Empowerment (Scotland) Act 2015.
- Details of when and how the Association will engage in consultation with those affected by its procurements are set out in the procurement policy / manual and will be appropriate to the particular procurement.

⁸ Procurement Reform (Scotland) Act 2014 Section 15(5)(b)(i)

⁹ Procurement Reform (Scotland) Act 2014 Section 15(5)(b)(ii)

5.8 General policy on the payment of a living wage¹⁰

- The Association will always, where appropriate, promote the payment of the Living Wage by suppliers and contractors.
- The Association will always have regard to the Statutory Guidance on the selection of Tenderers and Award of Contracts Addressing Fair Work Practices, including the Living Wage, in Procurement.
- The Association will consider whether to become a Living Wage Accredited Employer and promoting this through relevant contracts.
- The Association will consider what types of goods, services and works contracts may be relevant to address living wage and fair work practices.
- The Association will consider how its living wage policy will be approached in regulated procurements in a way which takes account of other relevant factors, while ensuring an appropriate balance between quality and cost.
- The Association will always ensure a proportionate approach, based on the nature, scope, size and place of the performance of the contract.
- The Association will always consider how the Association can contribute towards improving the social wellbeing element of its sustainable procurement duty under section 9 of the Act by promoting the Living Wage and fair work practices.

5.9 General policy on promoting compliance with Health and Safety at Work etc. Act 1974¹¹

- The Association will assess potential health and safety risks arising from particular contracts and consider how it will monitor contracts to ensure compliance with health and safety requirements, including how an economic operator demonstrates compliance.
- The Association will ensure that any measures taken to ensure the promotion of and compliance with health and safety requirements in its procurements is relevant, proportionate and not overly burdensome, and meets current legislation as a minimum. The degree to which health and safety requirements are specified within procurement documents will vary according to the goods, services or works being purchased and the Association will therefore consider these on a case by case basis.
- If there are specific health and safety concerns in relation to a particular procurement, the Association will require an economic operator to detail the measures they would implement to respond to the identified risks.

¹⁰ Procurement Reform (Scotland) Act 2014 Section 15(5)(b)(iii)

¹¹ Procurement Reform (Scotland) Act 2014 Section 15(5)(b)(iv)

- The Association will consider whether it is appropriate to require economic operators to provide evidence demonstrating all levels of the supply chain act in compliance with relevant health and safety regulations; and provide details of how they actively promote and manage good health and safety practice, such as through training and the communication of relevant information to staff.

5.10 General policy on the procurement of fairly and ethically traded goods and services¹²

- Where relevant in regulated procurements, the Association will consider how, by including fair and ethical requirements, the Association can promote fairness, dignity and the rights of workers and producers in international trading.
- The Association intends to include fair and ethical trading requirements in contract award criteria, where relevant and proportionate, subject always to the requirements of the Regulations and EU law.
- So as not to discriminate against any economic operators, to maintain transparency and to promote competition and innovation, the Association will accept all labels which have equivalent standards and bids from economic operators that meet the specified criteria without certification.

5.11 General policy on regulated procurements involving the provision of food to improve the health, wellbeing and education of communities in the Association's area; and promote the highest standards of animal welfare.¹³

- The Association procures a very limited amount of food and catering and does not expect to carry out any regulated procurement in this regard.

5.12 How the Association will ensure that, so far as reasonably practicable, the following payments are made no later than 30 days after the invoice (or similar claim) relating to the payment is presented: a) payments due by the Association to a contractor; b) payments due by a contractor due to a sub-contractor; and c) payments due by a sub-contractor to a sub-contractor.¹⁴

- The Association will comply with late payment legislation.
- The Association will comply with SPPN 8/2009 which sets out the Scottish Government's policy and approach to ensuring prompt payment in its procurements and the Association will

¹² Procurement Reform (Scotland) Act 2014 section 15(5)(b)(v)

¹³ Procurement Reform (Scotland) Act 2014 section 15(5)(c)

¹⁴ Procurement Reform (Scotland) Act 2015 section 15(5)(d)

ensure that its contracts include appropriate clauses in relation to prompt payment.

- The Association shall ensure effective contract management and monitoring throughout the term of its contracts to ensure that prompt payment continues to be applied throughout the duration of the contract, e.g. by requesting information on prompt payment at all levels of the contract and the Association shall, where relevant, take any necessary steps to rectify prompt payment issues experienced.
- The Association may, if relevant, consider monitoring the prompt payment of sub-contractors by carrying out spot checks and/or using project bank accounts or trusts, when relevant and appropriate. The Association may also, if relevant, consider obliging contractors and sub-contractors to declare any claims for late payment.

6 Review

The strategy will be reviewed and presented to the Board of Management on an annual basis by the Director of Finance and Corporate Services, and monitored by the Resource and Investment Committee.

