


REPORT TITLE	<b>Annual Procurement Report</b>	
REPORT TO:	WSHA Board	 <b>West of Scotland Housing Association</b>
REPORT FOR:	Information	
DATE OF MEETING:	29 <sup>th</sup> April 2020	
AGENDA ITEM:	B/20/056	
CONFIDENTIALITY:	Not Confidential	
AUTHOR:	Jennifer Cairns – Head of Corporate Services	
RESPONSIBLE DIRECTOR:	Director of Finance and Corporate Services	

**PURPOSE OF THE REPORT:**

The purpose of this report is to provide the Board annual update on procurement activities and progress made in relation to the Procurement Strategy.

**BACKGROUND DOCUMENTS:**

- Procurement Strategy

**RECOMMENDATIONS:**

That the Board

1. **Note the contents of this report**
2. **Approve the revised Strategy**

**EXECUTIVE SUMMARY:**

This report gives an overview of progress made against each of the objectives in our Procurement Strategy including procurement activity over the past year and value for money obtained. The attached Strategy outlines planned procurement for the next 5 years in line with our tender programme.

<b>IMPLICATIONS OF THE REPORT</b>	
<b>FINANCIAL RESOURCE AND VALUE FOR MONEY:</b>	The report details the progress on our strategy and how we will further develop how we obtain value for money.
<b>LEGAL/REGULATORY:</b>	The report demonstrates compliance with the regulations. The report and strategy will be published on our website as per the regulations
<b>CORPORATE PLAN/STRATEGY IMPLICATIONS:</b>	The report and strategy supports a key objective in the Corporate Plan in relation to:  Objective 5 – Be well governed and financially strong.
<b>CUSTOMER:</b>	As part of the tenancy engagement strategy we continue to develop tenant involvement in procurement.
<b>COMMUNICATIONS:</b>	This report and revised strategy will be communicated to staff through the Hub and will be issued to TAG.  This report and strategy will be published on our website. The revised strategy will also be submitted to the Scottish Government.
<b>HEALTH &amp; SAFETY</b>	There are no implications of this report.
<b>ENVIRONMENTAL:</b>	As part of the sustainable procurement duty we must always assess the environmental impact of our procurement.
<b>EQUALITY IMPACT ASSESSMENT:</b>	There are no implications of this report.
<b>RISK ANALYSIS:</b>	The procurement activity detailed in tis report assists to mitigate the following risks:  CS9 – Fail to correctly procure and ensure appropriate contracts are in place  STR4 – Unable to adapt to Government/Regulatory Changes
<b>REGULATORY STANDARDS OF GOVERNANCE &amp; FINANCIAL MANAGEMENT:</b>	The report supports the compliance with following SHR Standards:  Standard 3: The RSL manages its resources to ensure its financial wellbeing while maintaining rents at a level that tenants can afford to pay.

## **REPORT DETAILS:**

### **1. INTRODUCTION & BACKGROUND**

- 1.1 In May 2019, the Board approved the Association's Procurement Strategy.
- 1.2 This report provides an annual update on progress made against the strategy.
- 1.3 Appendix 1 details progress that was made in relation to planned procurement activity as detailed in the Procurement Strategy approved by the Board in May 2019. Appendix 1 also details other procurement carried out that had not been planned.
- 1.4 The Strategy has been reviewed and updated. The report details the changes made. The revised Strategy is at Appendix 2.

### **2. ISSUES FOR CONSIDERATION**

#### **2.1 Revised Procurement Strategy**

The Procurement Strategy has been reviewed and updated. There have been no significant changes to the content of the Strategy. A statement has been added in to the value for money objectives in relation to joint procurement with other RSLs in line with our Corporate Business Plan.

The tables attached to the Strategy have been updated to include the Procurement Activity for 2019/20 and planned procurement for the next five years. It should be noted that there may be further procurement in relation to asset management, the new Asset Manager is going to review requirements over the coming months. We will advise the Board of any additional procurement that results from this.

#### **2.2 Impact of COVID 19**

While ideally we would look to start some of our recruitment now for 2020/21, for much of the procurement exercises this would not be feasible due to the current situation and the ability of contractors and suppliers to submit robust tender bids or for contracts to actually be able to commence. An assessment of the procurement for next year has been carried out and there is no significant risk in respect of not being able to procure these contracts at present. We need to progress with the Reactive and Voids Options Appraisal to remain within the timescales agreed of the contract extension agreed by the board in February 2020, therefore we are progressing with sourcing a consultant to support this process with a view to coming back to the Board in August as originally planned.

We are also looking to see if it's feasible to proceed with the landline/phone system tender and this can potentially be progressed in the next couple of months as these

companies could respond, we just need to do some market research to assess whether this is the best time to do this from a value for money perspective and this is a key consideration in respect of prohibiting us from moving forward with other procurements. We will however, use this time to develop tender documents as far as possible which will be ready to send when the time is right.

We have sought legal advice in respect of possible contract extensions as a result of Covid 19 and our legal advisors have confirmed that the current situation could be classed as either an emergency situation or unforeseen circumstances in terms of procurement regulations, therefore it would be justified to extend contracts if required.

## **2.3 STRATEGY UPDATE**

### **Objective 1 – Ensure value for money is being achieved by the Procurement Strategy**

Value for money is an essential part of our procurement strategy. Appendix 1 of the report details where savings have been made and value for money has been obtained through procurement.

We are in the process of implementing our Value for Money Strategy which was approved by the Board in November 2018. Further work is being undertaken to develop an organisational efficiency plan for this year which will include key procurement areas.

As the value for money we obtain from our procurement can often be more value for money for the same contract amount, it is not always possible to assess the savings made by procurement. As you will see from the table below it has not been possible to assess savings, however it is important that we continue to have focus on either making savings or obtaining more value for money.

### **Objective 2 – Establish a Framework for delivering, monitoring and reporting community benefit**

We have included community benefit in our procurement processes this financial year where appropriate. Appendix 3 details the Community Benefit agreements that have either taken place or are underway.

In addition to this a number of contractors donated raffle prizes for our Staff and Board Conference in November, which raised money for our corporate charity.

It should be noted that all of the above benefit gained for our communities is in addition to the requirements set out in legislation other than the development contracts. The legislation states that for contracts over £4million in value, the Association must consider the inclusion of a community benefit clause in the contract. We have taken

the approach to include community benefit proposals in all appropriate procurement proportionate to the value of the contract.

The key challenge in relation to Community Benefit is to ensure that the contractors deliver their agreements as well as the work they are contracted to do. We have incorporated this into contract management.

We have also developed our Young People's Employment and Training Strategy which provides a framework going forward for community benefit.

### **Objective 3 – Ensure tenant involvement in procurement that directly impacts our tenants**

We have a five year tender programme in place and the programme identifies which procurement exercises will include tenant involvement. This has been discussed and agreed with TAG. We will be involving members of TAG in the options appraisal for the Void and Reactive Repairs Contract in the next couple of months. There have been no contracts in the past year that were appropriate for meaningful tenant involvement.

### **Objective 4 – Ensure minimal environmental impact**

We ensure this is factored into all procurement processes and where relevant we add a quality question in relation to this which has a score and weighting. This is particularly important when we tender for our development projects. We will develop this further in line with the Green Strategy that will be developed and implemented this year. This strategy will link closely to our procurement strategy and will provide clear actions in respect of achieving this objective in relation to the Association overall not just limited to Procurement.

### **Objective 5 - To effectively monitor and improve contractor and supplier performance**

We have made significant improvements in this area and the focus on this is now being reflected in increased tenant satisfaction in relation to repairs and the response times. However, we need to ensure that the framework outlined in our policy is in place and this is being audited by our internal auditors n 2020/21.

We also included Contract Management training in the training programme for managers to further develop skills in this area. This took place on the 21<sup>st</sup> February 2020.

### **Objective 6 - Ensure a consistent, robust and transparent approach to procurement**

BDO carried out an audit of procurement in September 2018 and confirmed that our policies and procedures comply with procurement legislation. They suggested a series

of recommendations in relation to good practice improvements and these have all been implemented, the Board approved the revised policy in January 2019. The changes to the policy ensure that there are more robust processes in place.

Procurement is included in all staff induction. Those regularly involved in procurement also attend regular sector training and forums to ensure our procurement is in line with good practice. The Head of Corporate Services has an overview of procurement and ensures that procurement is being carried out in line with the strategy and our policy and procedures. We also included Procurement in Practice training in our training programme and this took place on the 29<sup>th</sup> January.

## 2.4 Procurement Activity 2019/20

Appendix 1 details procurement activity for this financial year. There have been two small maintenance contracts that have not been procured. This is a result of capacity in the maintenance team due to the Senior Contracts and Compliance Officer being seconded to the IT Project. We have also not procured landlines or phone system contracts and this has also been the result of resources in the IT Team. We are currently preparing these tender documents just now with a view to issuing when we are able to.

## 2.5 Key Performance Indicators

The table below details the results in respect of the Key Performance Indicators outlined in the Procurement Strategy:

KPI		Commentary	Target 2019/2020
Tender processes carried out in line with the tender programme	61%	There have been a number of resource issues in respect of the IT Project. These have now been resolved with the new Asset Manager in post and the freeing up of the Senior IT Officer from the project going forward.	95%
% of savings achieved through procurement process		It is difficult to quantify this due to value for money received rather than savings.	30%
Customer satisfaction with key contractors	91.62%	Repairs and Maintenance	95%
	92.47%	Planned Maintenance	95%
Number of community benefits opportunities		These are detailed in Appendix 3	1 for every relevant procurement

### **3. CONCLUSION**

The annual report gives the Board an overview of procurement activity over the financial year 2019/2020 in line with the Association's Procurement Strategy. The revised strategy gives an update on procurement carried out in the last financial year and has been expanded to become a five year strategy in line with the Corporate Business Plan.

### **4. RECOMMENDATION**

**4.1** The Board is asked to:

- (i) Note the contents of this report
- (ii) Approve the revised Strategy