



PROCUREMENT STRATEGY

FULL REVIEW TRACKING

A “Full Review” refers to a point when the whole document is reconsidered by appropriate stakeholders to establish if it is still fit for purpose and this is formally signed-off at the appropriate management level. This acts as an assurance that Harbour Homes’ position on key matters is up to date with legislation, regulation and good practice.

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Approved by	Board
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The strategy has a direct link to the following Harbour policies and procedures	<p>This strategy is part of a range of documents which will be reviewed on a regular basis:</p> <ul style="list-style-type: none"> • Procurement Policy • Strategy Action Plan • Procurement Operational Procedures • Financial Regulations • Standing Orders • Risk Control Policy and Risk Registers
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REVISION TRACKING

Revisions are minor changes which are made between Full Reviews which might be needed because of new ideas or changes.

Revision date	Section revised	Reason	Approved by

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1. Introduction

Background

This strategy has been produced to complement Harbour's Strategic Plan 2015 -2020. This document sets out the overarching principles of how Harbour Homes will obtain and evidence value for money when purchasing goods, services and works both now and in future. It is guided by Harbour Homes' Procurement Policy and provides a linkage between several of Harbour Homes' strategies and policies including; development, maintenance, asset management, health and safety, and housing management.

The Procurement Reform (Scotland) Act 2014 provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice. As a whole, both the Act and the recent procurement Directives implemented in national legislation provide the statutory foundations for the Scottish Model of Procurement. The Scottish Government's Value for Money triangle below sets out the Scottish Model of Procurement; it is not just about cost, but about the best balance of cost, quality and sustainability and continues to seek to improve capability in the sector through the public procurement reform programme.



Scottish Model of Procurement



Definition of Procurement

Procurement is the acquisition of goods, services or works. It is essential that the goods/services/works supplied are appropriate for the intended purpose and, that they are procured at the best possible cost to meet the needs of Harbour Homes in terms of quality and quantity, time and location.

Legal & Regulatory Framework

Under the Procurement Reform (Scotland) Act 2014, Registered Social Landlords are clearly defined as public procurement bodies and therefore required to comply with the requirements of the Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015 and The Procurement (Scotland) Regulations 2016.

In addition, Harbour Homes will adhere to all Scottish Housing Regulator guidance. In particular we will ensure we comply with the following outcomes of the Scottish Social Housing Charter:

13: Value for money

Social landlords manage all aspects of their businesses so that:

- tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

This standard 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; and giving better value for money by increasing the quality of services with minimum extra cost to tenants, owners and other customers.

14 and 15: Rents and service charges

Social landlords set rents and service charges in consultation with their tenants and other customers so that:

- a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and other customers can afford them
- tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants.

These outcomes 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. 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.

2. Procurement Vision

Harbour Homes' vision of 'making our homes and neighbourhoods great places to live in' is the basis of our Procurement Vision which is:

'To achieve best value and deliver a greater service whilst we continually improve our sustainable procurement activities and assist the expansion of procurement capacity in the Registered Social Landlord sector'.

3. Context

Harbour Homes was formed in 1975 (previously known as Port of Leith Housing Association). Registered under the Industrial and Provident Societies Act of 1965, the Housing (Scotland) Act of 2001 and as a registered Scottish Charity, we operate to generate a profit/surplus, all of which is reinvested into our property and community and not distributed to any shareholder.

As the largest social landlord in Leith, Harbour Homes currently owns and manages over 2,700 homes, of which 2,500 are for social rent, 140 for purchase under the Shared Ownership scheme, and, through our subsidiary company Persevere Developments Limited, 131 for mid-market rent.

The 2015-2020 Strategic Plan sets out the ambition to make our areas great places to live and specifically the focus on growing both the numbers of homes available and the range of services available. It shows that we are well on our way to deliver the ambition set in 2015 to deliver a further 500 homes by 2020 and invest in our existing homes to ensure they all meet the required quality standard. In view of the ongoing shortage of affordable housing, the plan demonstrates our ability to continue to invest £110m in order to deliver a further 846 additional homes over the next 5 years. Additionally, Harbour Homes will be investing a further £13m on maintaining the quality of its existing homes over the next five years in line with the requirements of the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).

This strategy covers regulated procurement the period from 1 April 2019 to 31 March 2020.

4. Strategic Procurement Aims, Objectives & Key Priorities

Our Procurement Policy details five key aims, this strategy identifies the objectives and key priorities required to deliver these aims and will ultimately contribute towards delivering additional housing units, maintaining existing properties and maintaining affordable rents for our tenants.

A. Complying with all legislative requirements. We will do this by:

- Preparing and publishing a procurement strategy annually
- Preparing and publishing an annual procurement report
- Using Public Contracts Scotland to advertise all regulated procurement activities
- Publishing a register of all regulated procurement activities

B. Obtaining and evidencing value for money when purchasing goods and services now and in future. We will do this by:

- Working with partner organisations to benchmark best value across a range of services

- Working with our partners in ARCHIE¹ to provide procurement support and undertake joint procurement where agreed
- Carrying out lifecycle costing to ensure we are taking in to consideration the ongoing maintenance and replacement of items as well as the upfront purchase cost
- Improving consultant, contractor and supplier relationship management to streamline the delivery of our projects and services
- Considering jointly procuring services with partner organisations, or delivering services to other organisations
- Ensuring goods, services and works are procured on the basis of the most economically advantageous tender (MEAT)
- Continuing to deliver a range of community benefits in both regulated and non-regulated procurement activities

C. Ensuring good procurement practice is applied consistently across the organisation. We will do this by:

- Continuing to incorporate the key opportunities for improvement identified in our PCIP assessment into our Procurement Action Plan.
- Ensuring all procuring staff are familiar with the use of Public Contracts Scotland and The Procurement Journey and providing additional support to staff who infrequently carry out procurement activities
- Engaging with those affected by procurement activity i.e. private owners, residents and all staff involved in the delivery of the service or ongoing maintenance of an item
- Promoting and supporting procurement and supplier management training opportunities for staff and consultants working with us
- Continuing 'Knowledge Sharing' across the RSL sector
- Continuing to work with Scottish Government in the development of procurement capability across the RSL sector
- Continue to develop a contract manager competency framework and create a package of standard documentation
- Review the competency framework results for staff carrying out procurement activities and identify areas for improvement activity

¹ **ARCHIE** – (The Alliance of Registered Co-operatives and Housing Associations, Independent in Edinburgh) are an alliance of eight Housing Co-operatives and Housing Associations, all having a strong common interest being focussed on maintaining a strong independent and local identity delivering a wide range of services within Edinburgh. These are Muirhouse HA, Prospect HA, West Granton Co-op, Lister Co-op, Hunters Hall Co-op, Manor Estates, Viewpoint HA and Harbour Homes.

D. Enabling current and future procurement activities to be planned, monitored and reviewed. We will do this by:

- Continuing to maintain a Procurement Action Plan to monitor and record progress of activities
- Ensure consistent application of the Procurement Approval System
- Ensuring all procurement activity is carried out electronically and opportunities advertised openly
- Imbedding KPIs and the regular review of them in to the delivery of all contracts
- Ensure consistent application of the contract management manual for use across all departments
- Maintaining and publishing the Association's Contracts Registers where necessary
- Publishing an Annual Procurement Report

E. Ensuring sustainability principles are embodied within all procurement activities. We will do this by:

- Considering all procurement options available including in house delivery, partnering, competitive tendering, design competitions
- Encourage the procurement of fair and ethically traded goods and promote the highest standards of animal welfare
- Promote the Living Wage and the adoption of fair work practices
- Promote compliance by contractors and suppliers with the Health and Safety at Work Act 1974
- Review our SME and local business engagement and utilization
- Engage with supported businesses and third sector bodies when considering procurement options
- Ensure where practical that suppliers and subcontractors are paid 30 days after a valid invoice is submitted or in accordance with the contractual terms and conditions.
- Increase market engagement by taking part in 'Meet the Buyer' events

The activities identified above will be incorporated in to Harbour Homes' Procurement Operational Procedures and Business Planning process and where necessary included in Harbour Homes' Annual Business Delivery Plan for monitoring the delivery over the duration of this strategy.

5. Finance

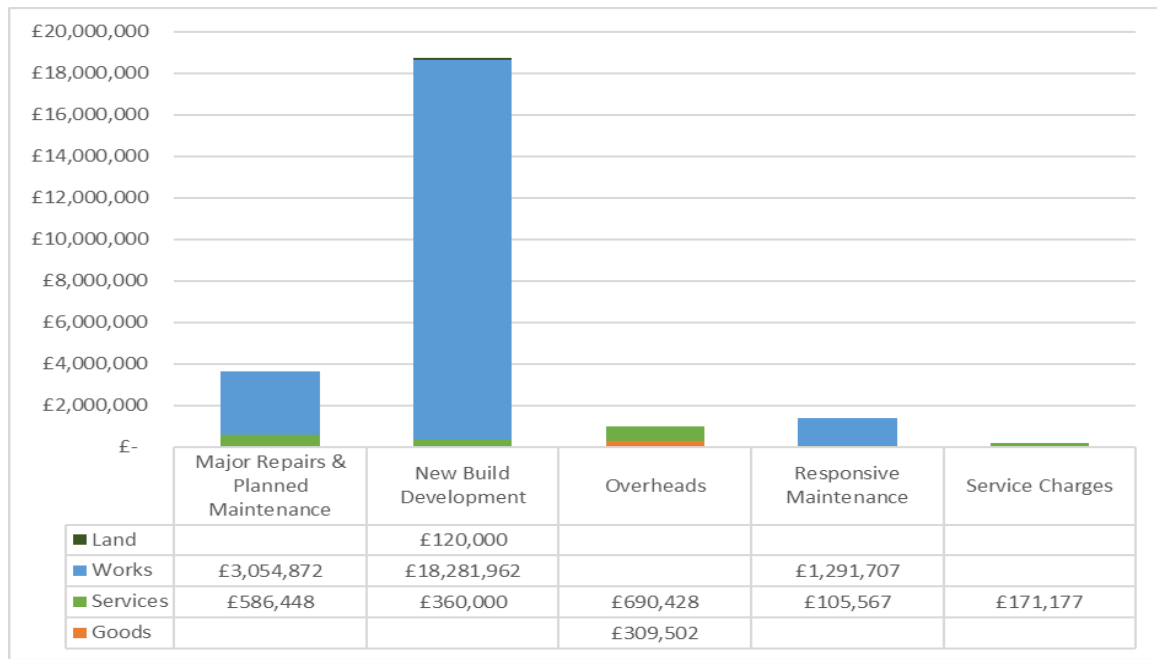
Harbour Homes has an anticipated regulated procurement spend of £24,971,662 million over the period from 1 April 2019 to 31 March 2020. This spend is broken down into the following sectors:

Table 1: Association Regulated Procurement Spend 1 April 2019 to 31 March 2020

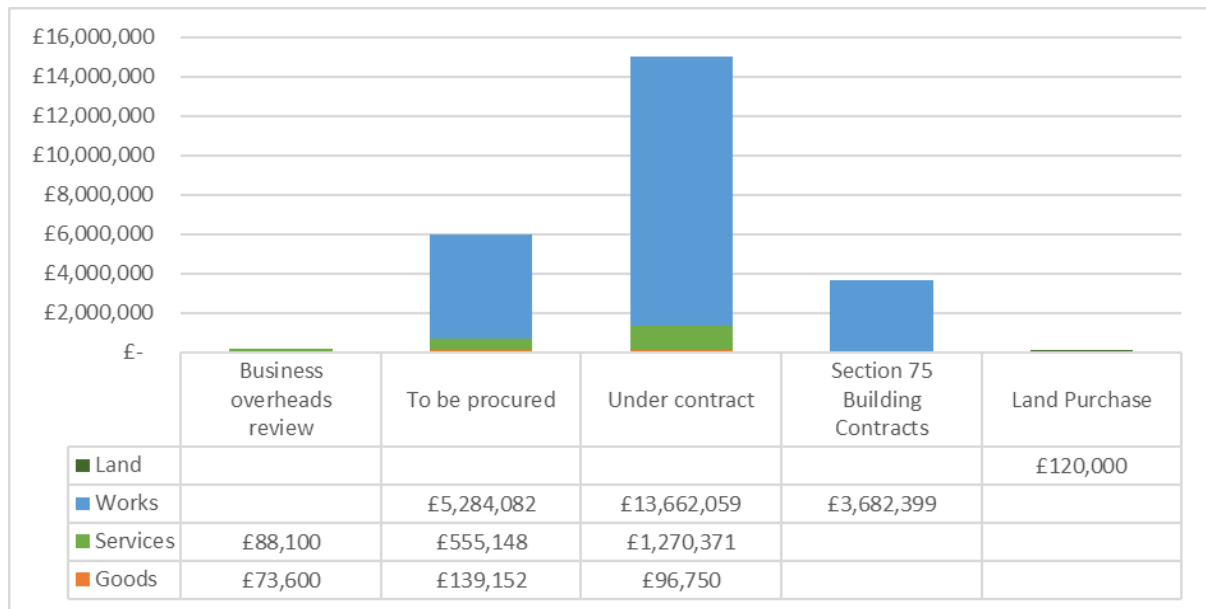
Sector	Category	Value	Status	Procurement Activity Identified
New Build Development	Services	£140,000	Under contract	OJEU Framework or individual Scottish threshold procurement
		£220,000	To be procured	OJEU Framework under development. Individual procurement may be required in the interim for some services
	Land	£120,000	Land Purchase	Direct Contract Negotiation
			Section 75	
	Works	£3,682,399	Building Contracts	
		£10,412,506	Under contract	OJEU procurement route
Major Repairs & Planned Maintenance	Services	£4,187,057	To be procured	OJEU procurement route
		£380,799	Under contract	Multiple Scottish threshold procurements
		£205,648	To be procured	OJEU Framework under development. Individual procurement may be required in the interim for some services
	Works	£1,957,846	Under contract	Multiple Scottish threshold procurements
Responsive Maintenance	Works	£1,097,025	To be procured	Individual Scottish threshold procurement
	Works	£1,291,707	Under contract	OJEU procurement route
Service Charges	Services	£57,567	Under contract	OJEU procurement route
		£48,000	To be procured	OJEU procurement route
Overheads	Services	£127,756	Under contract	OJEU and Individual Scottish threshold procurement
		£43,421	Under contract	SLA with other contracting authority
		£81,500	To be procured	Multiple Scottish threshold procurement
	Services	£520,828	Under contract	Multiple OJEU and Individual Scottish threshold procurement
		£88,100	Business overheads under review	Currently multiple suppliers, a business overheads under ongoing review to determine categories, values and most appropriate procurement methods
	Goods	£73,600		

Sector	Category	Value	Status	Procurement Activity Identified
		£96,750	Under contract	Multiple Scottish threshold procurement
		£139,152	To be procured	Individual Scottish threshold procurement

Graph 1: Spend by Business Area



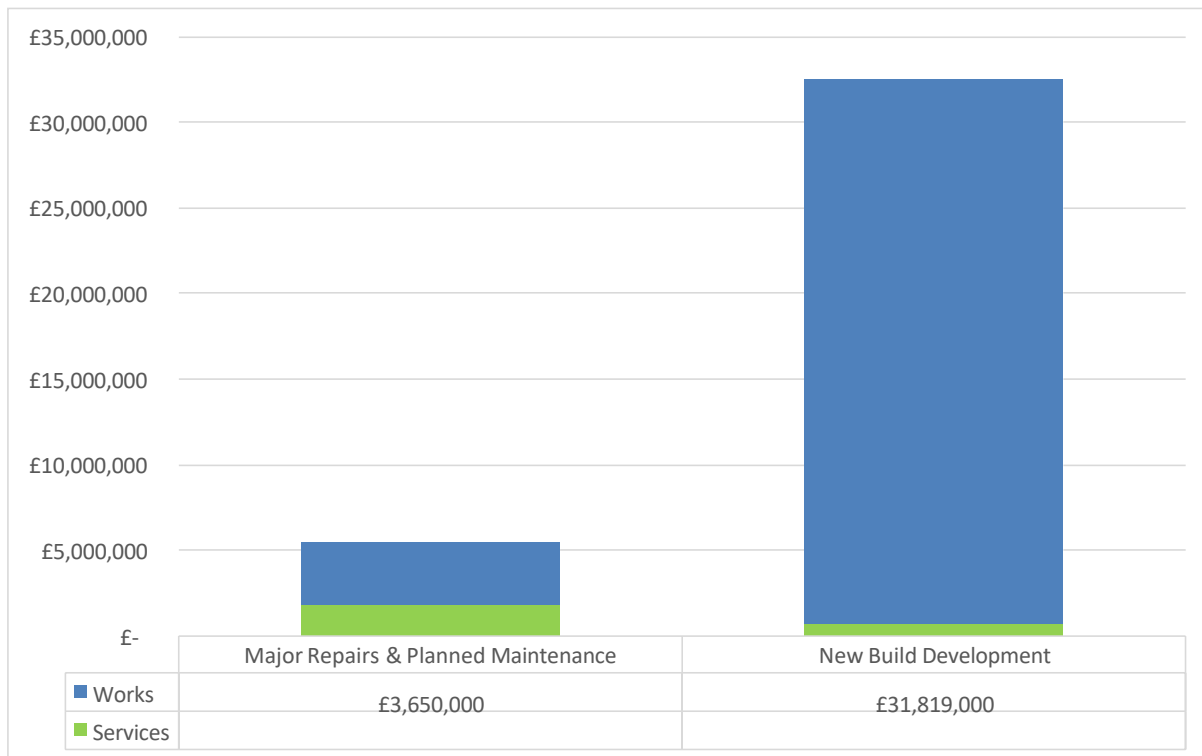
Graph 2: Spend by Contract Type



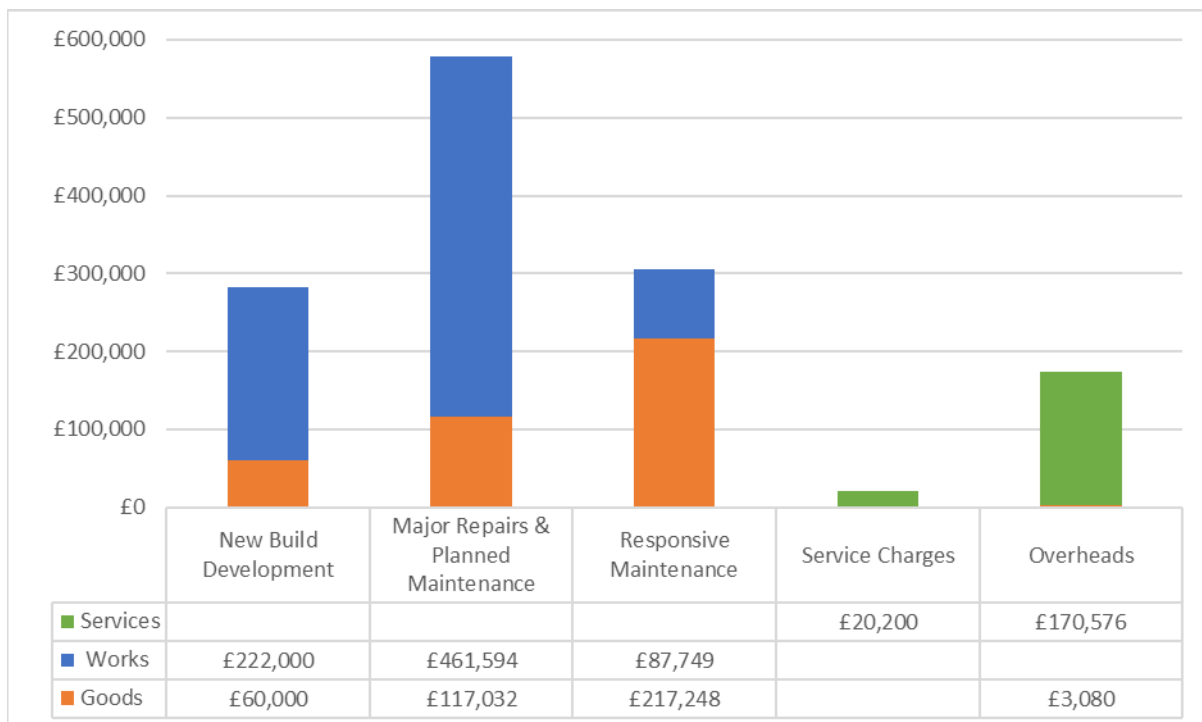
Procurement Activity

Harbour Homes has identified £37,960,490 of regulated procurement activity which will be conducted in 2019-20. A further £1,273,212 of below regulated procurement threshold activity will also be undertaken.

Graph 3: Regulated Procurement Activity by Business Area



Graph 4: Below Threshold Procurement activity by Business Area



6. Procurement Capability

A number of key priorities have been identified in Section 4 of the Strategy which will continue to enhance Harbour Homes' procurement capability.

During 2018 Harbour Homes was one of the founding partners who developed ARCHIE. Procurement support and joint procurement activities are one of the key items which the partnership will be taking forward with ARCHIE having a separate service delivery plan detailing the procurement related activities which the partner organisations will undertake jointly.

Harbour Homes was one of the first RSL's to undertake the Procurement and Commercial Improvement Programme (PCIP) assessment in January 2018 and is therefore anticipating repeating the exercise in January 2020. In the build up to this we will continue to review the key opportunities for improvement identified in our 2018 PCIP assessment.

We will continue to work with Scotland Excel and the SFHA to promote the Scottish Government's Procurement Improvement Programme for the housing sector

We will continue to work with the 'Best Practice Forum' to develop our own expertise and that of the RSL sector as a whole.

Harbour Homes' internal auditors will continue to cover a number of procurement and contract management areas as part of their regular audit cycle. Findings and recommendations will be reported to the Leadership Team. Any agreed actions will be implemented, and their progress reported to Harbour Homes' Group Audit Committee.

7. Risk Assessment

A. Risk Management Policy Statement

Harbour Homes is committed to maintaining the long-term health of the organisation in terms of financial stability, management of resources and the quality of service provision. Harbour Homes recognises that risk is an inevitable part of our work. However, we will seek to proactively identify, understand and manage risk to encourage a responsible and informed approach to risk. Effective risk management optimises the balance between risk and control.

The following headings will be used to classify types of risks:

- Strategic risk – those risks that impact on the achievement of long term strategic objectives and may include the following sub categories:
 - Diversification
 - Regulation
 - Reputational
 - Growth
 - Demand
 - Competition
 - Financial
 - Change / project risk – those risks that impact on the delivery of a project

- Operational risk – those risks that impact on the achievement of annual objectives and may include the following sub categories:
 - Health and safety
 - Business Continuity

The Procurement Strategy is a mitigation control against the following operational risks:

Table 2: Extract from Risk Register – Operational Risks

Issue / Hazard Causing Risk	Risk Description	Risk Consequences	Mitigating Controls
O211- Economic uncertainty in the market place	Contractor/ supplier may become Insolvent	Delivery of projects or services would be disrupted	• Performance Bond
			• Contractor and supplier financial checks (inc. 3 rd party)
			• Procurement Strategy
			• Review partners
O225 Changes to Procurement legislation	POLHA's strategy may not comply with legislation	Open to challenges by a contractor/ supplier Delays to projects and increased costs	• Established Framework Panels
			• Revision of Procurement Strategy
			• Strict tendering procedure
			• Contractor security

The methodology of how we procure works, goods and services is a mitigation control against the following strategic risk:

Table 3: Extract from Risk Register – Strategic Risks

Issue / Hazard Causing Risk	Risk Description	Risk Consequences	Mitigating Controls
S7 - Build cost inflation and increase in competition for sites from other RSLs and private companies	Increased cost of development	Reduced opportunity to grow	• Relationship with developers and section 75
			• To maintain a land bank (NB. existing land bank has nearly been used up)
			• Flexibility in procurement methodology (e.g. making use of national framework agreements where appropriate)
			• Participation with Council and other RSLs re strategic land acquisition opportunities

B. Procurement Risk

A risk assessment of each procurement exercise is undertaken. This is designed to take in to consideration the procurement not being compliant with Harbour Homes' Strategy, the procurement regulations and the risk of challenge over the procurement exercise and include the following sub categories:

- The Service Type: the renewal of an existing contract, a new construction contract, a one-off procurement activity
- The Procurement Team; are we using an external consultant, the experience of the in-house team and any legal advice sought as part of the procurement process.
- The Client: Joint procurement, using an externally procured framework
- Procurement Route: unregulated, regulated, OJEU

The results of this procurement risk assessment are part of the procurement approval system.

C. Contract Management Risk

At the time of appointment and at contract review periods the contract management risk is assessed and may include the following sub categories:

- The financial stability of the supplier
- The supplier's staffing and capacity to manage the contract
- Our own capacity to manage the supplier
- The impact contract failure would have on Harbour Homes' ability to deliver its core services to tenants and customers
- The impact contract failure would have on the new build development programme.
- The reputational risk to Harbour Homes of contract failure.

Any significant risks are transferred to Harbour Homes' Operational Risk Register.

8. Monitoring, Reviewing and Reporting on Strategies

This strategy will be annually reviewed and reported to Harbour Homes' Board for approval prior to publication. Delivery of the objectives and key priorities identified in Section 4 will be included in the annual review.

Harbour Homes will prepare an Annual Procurement Report on its procurement activities following the end of each financial year. This will include reporting against the Mandatory Requirements of the [Procurement Reform \(Scotland\) Act 2014](#).

The annual procurement report must 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 organisation'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.

The annual report must also address all of the matters contained in an organisation procurement strategy.