



## Working with our Tenants

### DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED

### PROCUREMENT STRATEGY FOR THE PERIOD TO 31 MARCH 2019

#### 1 Introduction

This procurement strategy has been informed by and prepared pursuant to the Procurement Reform (Scotland) Act 2014 (the "**Act**") and the EU Directive 2014/24 on public procurement (the "**Directive**").

In line with the Group's Business Plan, this strategy aims to equip Dumfries and Galloway Housing Partnership Limited and its subsidiary companies ("**DGHP**") with the direction required to continue achieving the overarching goals of sustainable procurement, attaining value for money and being able to demonstrate appropriate standards of governance and accountability in relation to the expenditure of DGHP's funds. This strategy covers the period to 31 March 2019.

The Act and Directive both address core procurement principles of transparency, equal treatment and non-discrimination, and emphasise DGHP's key role in delivering innovation, sustainability and social justice.

DGHP is a 'contracting authority' for the purposes of the Public Contracts (Scotland) Regulations 2015 (the "**Regulations**") and the Act. The Regulations specify legal procedures which DGHP must follow when buying supplies (at the value of £181,302 or more), services (at the value of £181,302 or more) and works (at the value of £4,551,413 or more).

The Act introduces a separate procurement regime which applies when buying services and supplies valued at £50,000 or more and works valued at £2m or more ("**regulated procurements**"). Where a contracting authority has an anticipated annual spend of more than £5m on regulated contracts, the Act obliges it to prepare and publish a procurement strategy. DGHP anticipates that it will have such an annual spend and this strategy aims to fulfil that obligation.

2 **Purpose of this strategy**

The aim of DGHP is to deliver transparent and effective procurement services which offer best value, are legally compliant, follow best practice, align with Scotland's Economic Strategy and address the objectives set in the Business Plans of Group companies.

DGHP will do this through working with tenants, customers and suppliers, and ensuring it has a professional and capable team. DGHP will continuously improve and measure its progress through results from such sources as customer surveys, supplier surveys, external evaluation through Scottish Government assessments and measurement of efficiency savings.

DGHP has an existing procurement policy which is aimed primarily at operational staff who require day to day guidance on how DGHP should comply with procurement rules. This strategy aims to provide a higher level overview of DGHP's approach to procurement and to satisfy its obligations under the Act

The key themes supported by this procurement strategy include:

- encouraging small and medium-sized enterprises ("**SMEs**") to apply for DGHP's contracts; local contractors?
- ensuring efficiency and value for money;
- ensuring equality through DGHP's processes;
- adding value for DGHP's tenants, customers, their communities and the wider local economy; and
- encouraging suppliers to work in a socially responsible manner.

**Regulated procurements**

DGHP follows the 'Scottish Model of Procurement', using the Scottish Government's Procurement Journey as the basis for its policy and procedures.

In all its procurement activity DGHP's requirements will be discussed and defined to ensure the most appropriate route is developed to meet its needs and ensure value for money is achieved, with reference to DGHP's objectives and relevant legislation and best practice.

For regulated procurements, suitably qualified and trained staff will design, develop and procure contracts that are fit for purpose, ensure value for money and are compliant with legislation.

DGHP will use this process for the majority of its procurement activity to open up the opportunity to suppliers (SMEs in particular) and reduce paperwork and timescales. DGHP's policy, where possible, is to advertise tender opportunities for regulated contracts on the national advertising portal, [Public Contracts Scotland](#), in order to make opportunities available to all potential suppliers. DGHP will always seek to ensure that clear outcomes are set out in contract notices. DGHP will award contracts on the basis of the Most Economically Advantageous Tender (MEAT), considering a balance between price and quality in all procurement decisions.

## DGHP Procurement Strategy 2018/19

DGHP will ensure that regulated procurements are carried out in accordance with this strategy, as far as is reasonably practicable, and that any variations are appropriately documented and approved. Processes are in place to ensure experience is gained from each procurement exercise, around issues such as defining requirements, assessing supplier quality, probity and financial suitability, and assessing whether anticipated savings have been achieved

### 3 **Value for money**

DGHP will always consider its objectives and obligations and this strategy at the outset of, and during, any procurement activity. Procuring officers will use the value for money concept to identify priorities for each particular procurement, and align these with DGHP's overall policies.

The balance of value for money will be considered and documented on a case by case basis, to ensure consistency and transparency in procurement activity. This will include the whole-life cost of each procurement as well as the fundamental principles of transparency, equal treatment and non-discrimination.

DGHP will continue to provide value for money while maintaining the required quality of service.

### 4 **Level of Anticipated Procurement Activity**

Within the Business Plan, DGHP estimates that during the currency of this strategy approximately £35m will be subject to regulated procurement. This includes capital expenditure for new housing projected at £13m; improvement of existing properties through component level replacement of £17m; and costs of services of £5m. All figures are approximate and subject to change as circumstances evolve.

### 5 **Equal and non-discriminatory treatment**

In line with the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, DGHP considers equality throughout all its activity, including procurement and seeks to comply with legislation at all times.

DGHP uses standard tender documentation, including the ESPD, and will always consider contract size, including the opportunity to break requirements into smaller lots. Where appropriate, DGHP will state desired outcomes using clear and precise language without stating how they should be achieved.

Where relevant, suppliers are required to provide details of any equality policies and systems that they have in place that will be utilised when delivering the contract. This is included in DGHP's standard terms and conditions. Discrimination in relation to the treatment of workers in the main contract and sub-contracts is also addressed in tender documentation and standard terms and conditions. DGHP's tender documentation and standard terms and conditions contain appropriate provisions relating to the Employment Relations Act 1999 (Blacklists) Regulations 2010, which addresses blacklisting activities, and the requirements of the Modern Slavery Act. DGHP complies with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes in force from time to time.

**6 Transparency and proportionality**

Implementation of the various actions required by this strategy shall evidence that DGHP is actively compliant with legislative requirements and also with best practice in respect of its procurement activity. The actions required under this strategy demonstrate DGHP's commitment to ensuring transparency, equal treatment, non-discrimination and proportionality in all regulated procurement activity.

Wherever appropriate, DGHP uses electronic communication for all procurement activity, in particular, [Public Contracts Scotland](#). DGHP will ensure that clear and precise language is used throughout its procurement activity and make use of inclusive, not overly burdensome, and measurable award criteria that are proportionate and relevant to the goods and services being procured.

**7 Implementing community benefit requirements**

DGHP will continue to promote the use of community benefit clauses within procurement exercises where relevant, proportionate to the contract, and in line with its objectives, and ensure such clauses are considered within all regulated procurement contracts.

Procuring officers will always have regard to DGHP's community benefits policy and, for contracts with an anticipated value of £4m or more, the statutory guidance on community benefits. Community benefits are extremely varied, and can range from training opportunities such as apprenticeships to promoting careers to school children from disadvantaged areas.

In respect of contracts with an anticipated value of £4m or more, DGHP 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 DGHP's area in a way which is additional to the main purpose of the contract in which the requirement is included; and
- provide a summary of the community benefit requirements DGHP intends to include as award criteria or a statement of its reasons for not including any such requirements.

In respect of contracts with an anticipated value of less than £4m, DGHP will consider whether, despite there being no legal obligation to consider community benefit clauses, it would be appropriate to include community benefit clauses.

**8 Consultation/Engagement**

DGHP will carry out appropriate consultation prior to the adoption of each of its annual procurement strategies.

Where appropriate, DGHP will undertake supplier surveys on an ad hoc basis to understand successful and unsuccessful tenderers' satisfaction that they were treated fairly and transparently and if DGHP could improve its processes to reduce the burden on suppliers.

DGHP will comply with the principles set out in the National Standards for Community Engagement and the Community Empowerment (Scotland) Act 2015 in any consultation and engagement.

9 **Ensuring health and safety**

DGHP has a comprehensive health and safety policy and associated guidance/procedures which relate to staff and contractors. Health and safety policies and associated information are requested where relevant from suppliers as part of the procurement process and health and safety policies are covered in DGHP's standard terms and conditions to ensure that suppliers comply with all relevant regulations and best practice.

Procuring officers will undertake assessments of potential health and safety risks arising from particular contracts and consider how DGHP will monitor regulated contracts to ensure compliance with health and safety requirements, including how a supplier demonstrates compliance.

DGHP will ensure that any measures it takes to ensure the promotion and compliance of health and safety requirements in its procurement activity is relevant, proportionate and not overly burdensome, but in line with current legislation as a minimum. The degree to which health and safety requirements are specified within tender documents will vary according to the goods, services or works being purchased and, therefore, these will be considered on a case by case basis.

If there are specific health and safety concerns in relation to a particular regulated contract, DGHP may require suppliers to detail the measures they would implement to respond to the identified risks.

DGHP will consider whether it is appropriate to require suppliers 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.

10 **Working with SMEs, supported businesses and the third sector**

DGHP will continue to review and update its procurement policies and procedures to ensure that DGHP contributes to improving social, economic and environmental wellbeing where relevant in delivering our regulated contracts. This ongoing review will ensure that DGHP remains an inclusive organisation and encourage a diverse range of suppliers including local SMEs, the third sector and supported businesses.

DGHP's procurement activity is designed to promote local and SME participation wherever possible and its terms and conditions have been simplified in order to share risks with suppliers in a more equitable manner, as well as being easier to understand.

DGHP follows the code of conduct laid out in the Scottish Government's Suppliers Charter, which aims to facilitate access to public sector procurement opportunities. DGHP will participate in 'Meet the Buyer' events aimed at providing advice and guidance to businesses wishing to work with it.

11 **Ensuring prompt payment to contractors and their sub-contractors**

DGHP is committed to paying our suppliers promptly, and includes a clause in its standard terms and conditions stating that DGHP will pay undisputed invoices within 30 days from receipt.

12 **Ensuring compliance**

DGHP will ensure the professional development of procuring officers to ensure they have the skills and knowledge to maximise the benefits of procurement to DGHP.

## DGHP Procurement Strategy 2018/19

DGHP will undertake annual audits of regulated procurements across the organisation. Where any issues are identified, the procurement team follows up with relevant project managers to ensure improvements are identified and implemented.

DGHP will continue to identify, manage and control risk by developing policy and procedures which consider risk, and maintain operational effectiveness and compliance. This is further managed by pragmatic decision-making. Procuring officers will consider risk proportionately in our activities – for example, ensuring that financial thresholds and other shortlisting criteria do not unreasonably discriminate against participation by SMEs.

DGHP has a comprehensive whistle-blowing policy which encourages employees and others to raise concerns about possible improprieties in the conduct of its business – whether in matters of financial reporting or other malpractices – at the earliest opportunity and in an appropriate way.

A risk assessment is undertaken for each regulated procurement with risk management allocated to relevant individuals. The procurement team feed relevant risks into the corporate risk register and, where required, these will be escalated to DGHP's corporate risk register in line with risk management arrangements.

### 13 **Contract and Supplier Management**

#### **Purpose**

The function of Contract & Supplier Management is to:

- ensure a contract is successfully executed
- provide a formalised method of monitoring supplier performance against contract requirements
- ensure that there is clarity of the roles and responsibilities of all parties relating to contract and supplier management
- monitor overall compliance by all parties to the terms of the agreement and contract, refining and improving KPIs, SLAs and service delivery through honest, open communication between the supplier and DGHP, and thereby delivering improvements to both parties
- improve and develop relationships with key suppliers based on mutual trust and understanding, open communications and a joint approach to managing delivery
- realise planned savings through continuous monitoring of spend
- identify potential additional savings and benefits
- provide a focus for development of initiatives, innovation and continual improvement
- deliver learning and knowledge transfer

#### **Classification**

The Contract Manager will, as the inception of a procurement identify the appropriate level of Contract and Supplier Management from the following classifications

- **Low level** - ensuring compliance to the contract by monitoring management information from the supplier, end-user feedback, and managing delivery and problem resolution.

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- **Medium level** - managing the performance of the contract and the supplier through management information monitoring, end-user feedback and a minimum of one performance review meeting per year with nominated supplier personnel.
- **High level** - managing the performance of the contract and the supplier using a combination of management information monitoring, and quarterly (or more frequently, as required) meetings with nominated senior supplier personnel. A dedicated risk map will be prepared and maintained by DGHP.

The contract manager will ensure that the contract documentation assigns the following roles & responsibilities to the appropriate personnel in both DGHP and the supplier

- Definition of Contract objectives
- Performance Management Framework, e.g. Use of balanced scorecard, KPIs & SLAs
- Mobilisation Plan
- Migration Plan
- Contract Compliance
- Escalation process (within DGHP and the supplier organisation)
- Review meeting schedule and management
- Development and maintenance of a project Risk Map

### Contract Review Meetings

Meetings focus on:

- Review of Actions and Minutes from previous meeting(s)
- Supplier Business Review, with updates on new products / product developments, customer-affecting issues (e.g. product issues, recalls), complaints, etc.
- DGHP Business Review
- KPI review – (to determine current level and trend of performance)
- Sustainability & Other Benefits Realisation
- Review of risks and Issues
- Issues for escalation
- Financial Monitoring (Spend monitoring, Invoicing, financial stability).
- Areas of Improvement (e.g. Innovation, new process)

### Change Control

Changes to services, procedures or contracts are likely to occur throughout the lifecycle of a contract, especially lengthy and / or major, strategic contracts, which could have an effect on many aspects of the contract including:

- Service delivery
- Scope of work
- Performance

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- Costs
- Product availability / changes to specification / obsolescence / revision of rates
- Whether the contract continues to represent value for money

A single change control process is applied to all contract changes. Flexibility does however need to be built into the process to deal with issues such as emergencies. The change control process should provide clear steps and clearly allocated ownership and responsibilities for:

- Requesting changes
- Assessment of impact
- Prioritisation & authorisation
- Agreement with provider
- Control of implementation
- Documentation and communication of change
- Updates to terms & conditions where applicable

### **Contract Conclusion**

At the conclusion of each medium or high level contract, the contract manager will complete a lessons learned review document which will be available to appropriate DGHP stakeholders

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### **Review**

In line with the Act's requirements, this strategy will be reviewed and updated annually with any slippage in targets addressed. In accordance with the requirements of the Act and as part of this strategy development, an action plan has been developed to monitor and continually improve the strategy. An annual procurement report will also be developed to record progress.