


REPORT TITLE	<b>Annual Procurement Report 2016/2017</b>	
REPORT TO:	Management Committee	
REPORT FOR:	Information	
DATE OF MEETING:	29 <sup>th</sup> March 2017	
AGENDA ITEM:	MC/16/150	
CONFIDENTIALITY:	Not Confidential	
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RESPONSIBLE DIRECTOR:	Director of Finance and Corporate Services	

### **PURPOSE OF THE REPORT:**

The purpose of this report is advise Management Committee of the procurement activities that have taken place in 2016/2017 and to report on progress in line the Procurement Strategy.

### **BACKGROUND DOCUMENTS:**

- Procurement Strategy

### **RECOMMENDATIONS:**

That the Management Committee

- 1. Review the contents of this report**
- 2. Approve the proposed changes to the Strategy**

### **EXECUTIVE SUMMARY:**

Following the introduction of new procurement legislation, there is now a requirement to produce a Procurement Strategy and an annual report which details progress against the strategy and any proposed changes to the strategy.

The Association's strategy was published in December 2016 following approval by Management Committee on 30<sup>th</sup> November, 2016. This report outlines the procurement activities for the financial year 2016/2017 and progress made on the strategy so far.

The paper also details some changes to the procurement strategy in relation to planned procurement for next financial year; activities that have not been completed this financial and additional activity.

## REPORT DETAILS:

### 1. INTRODUCTION & BACKGROUND

- 1.1 In November 2016, the Management Committee approved the Association's Procurement Strategy. It is a requirement of the legislation for the Association to produce an annual procurement report which outlines progress against the strategy.
- 1.2 This report outline progress against the strategy against each objective, procurement activity carried out in 2016/17 and proposed changes to the strategy.

### 2. ISSUES FOR CONSIDERATION

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

Value for money is an essential part of our procurement strategy and the new policies and procedures ensure that we are evidencing this.

Since the procurement strategy has been put in place, we are starting to see savings being made or added value being included in contracts. One example is our lift maintenance contract, the predicted value of the contract was £35k. The actual value of the contract awarded is £18k.

We will be refreshing our Value for Money Strategy which will come to Committee during the financial year. From this we will be looking at developing an Efficiency Plan to see where savings can be made in respect of our overheads etc.

In addition to this we will be using the Scottish Housing Network Value for Money Tool which will assess our costs in relation to our performance (Performance at what cost?) This will assist us in our communication to tenants around value for money but may also form the basis of some of our tenant scrutiny work. It is a key theme of the Regulator to ensure we are obtaining value for money and we are involving our tenants in this.

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

We have been including community benefit in our procurement processes this financial year. We have Community Benefit agreements in place for the following contracts:

- Windows and Doors – Sidey
- Day to Day Repairs – Carillion
- Gas Servicing – City Tech
- Void Repairs – Mears
- Grounds Maintenance - ISS

Each of the above contractors have a community benefit plan in place for the duration of the contract. These plans are monitored by the Community and Support Services

Manager as a separate contract monitoring process. Over the past year, we have realised the following community benefits:

- Carillion upgraded the ladies toilets in Barrowfield Community Centre – Cost would have £9k
- ISS has provided 3 eight week paid work placements in Ayrshire and North Lanarkshire
- Novus has painted all the internal paint work in the Barrowfield Community Centre
- Mears is currently carrying out office renovations in Gourlay St for the Association and following this will renovate the communal space for residents as part of their community benefit agreement.

We are currently developing a Community Benefit Policy which will link into our new Procurement Policy and will ensure that community benefit is high on the agenda.

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

We have not yet carried out a procurement that directly impacts our tenants since the strategy was developed. During 2017, we will be procuring the void repairs contract and painting contract and both will require tenant involvement in development of the specifications for these contracts. The role of tenants in procurement will be further developed through the Tenant Engagement Strategy.

### **2.4 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 will particularly important when we tender within our contractors framework for development projects.

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

We have developed a Contract Management Policy and Procedure which is currently being rolled out through the Association. We are currently developing a matrix which determines the level of engagement with each contractor/supplier. KPIs are in place for our day to day repairs contractor and major works contractor and we are working with other contractors to develop KPIs where these are not in place. KPIs will be included in all key procurement processes going forward to support the contract management processes.

Post inspection processes are in place in relation to key maintenance contracts e.g. major repairs, day to day repairs and void repairs.

Research Resource is gathering customer feedback in relation to individual contractors which allows us to monitor customer satisfaction for each contractor and raise any issues highlighted through the surveys with the individual contractor. Going forward the Tenancy Engagement Officer will do some further analysis of this and ensure follow up with each tenant who raises an issue.

Next financial year, we will be able to report on Association wide contractor/supplier performance.

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

We have developed a new policy which is being presented to Management Committee for approval. This policy is supported by robust procedures. We are holding a training session for all staff on the new policy and procedures on the 4<sup>th</sup> April 2017.

As part of the recruitment for the new structure, we have included procurement experience and expertise in relevant job descriptions and training is being rolled out to these roles over the course of 2017.

## **2.7 Procurement Activity 2016/2017**

Appendix 1 is a revised Procurement Strategy which details the procurement activity carried out in 2016/2017. There are some procurement activities planned that have not yet been completed and will be concluded next financial year. These include the following:

- Refurbishment of Anniesland and Barrachnie – this will be a combined tender and will form the start of a 4 year framework for this type of work so that we have procured contractors in place should there be any similar situations in the future. Stock condition and rot work surveys have now been carried out for both sites and a tender has been issued based on these results and any work planned through the major repairs programme. We will be appointing contractors in May 2017.
- Mainholm Court Refurbishment – we are currently awaiting the report for this site from Punch Engineers. This will form the basis of a quick quote process which will be carried out in early April.
- Legionella – we are still carrying out the compliance requirements but require to tender this as the contract is out of date. We have extended the contract for the procurement period and this will be tendered at the beginning of next financial year. The delay in this process has been due to staff shortages in this department.
- Asbestos Surveys – we are currently seeking quotes for this through the SPA and Scotland Excel Frameworks and will have this concluded by the first week in April 2017.

- Fire Contract – this is currently out to tender and tender submissions are due in on the 10<sup>th</sup> April 2017. We will be in a position to appoint by the end of April at the latest.
- External Audit Tender – this was delayed due to the fact that KPMG will be carrying out the audit for this financial year as we will still be part of the Gentoo Group. The tender has been issued and the deadline for submissions is mid April 2017.

## **2.8 Planned Procurement Activity 17/18**

The above procurement activity will be completed in Q1 of 2017/2018 and the procurement strategy has been updated to reflect this.

In addition to the planned procurement in the strategy, we will also be carrying out the following procurements next financial year:

- Procurement of a new Housing Management System – this is required to move to integrated IT systems
- Procurement of Warden On Call System for Sheltered complexes – this is due to the end of the contract and it is thought we could make significant savings by procuring this. We could potentially use the Scotland Excel framework for this to secure additional savings. A further proposal on this will come to Committee for approval if this is the preferred route.
- Procurement of Stock Condition Survey – we procured a stock condition survey last financial year and this has been completed for almost one third of our stock. The stock condition survey in financial year 2017/2018 will survey the remaining stock to ensure we have update and accurate asset data.
- Procurement of Rent Payment System – Our current contract is tied in with Gentoo and is due to end in January 2018 therefore we will need to re-procure. It is proposed that we look at doing this through a framework to allow us to secure better pricing per transaction. This will be essential in the wake of Universal Credit where we will see an increase in transactions.

The updated Procurement Strategy includes the above additional procurement activity and the activity which has been deferred to the next financial year. The budget for 17/18 includes all procurement activity in the revised strategy.

## **2.9 Procurement KPIs**

As the strategy was implemented in December 2016, it is too early to report on all KPIs.

### **2.9.1 Tender processes being carried out in line with the tender programme**

We have not performed well in relation to this KPI as a number of tenders have not been carried out in line with the tender programme as detailed above. This on the whole has been due to staff shortages and changes in the repairs and maintenance section. We are catching up now and these procurements will be

completed by Q1 2017/2018. 64% of procurements were carried out in line with the tender programme.

**2.9.2 % of savings achieved through procurement processes**

The systems have been set up to report on this and we will report on this for financial year 2017/18.

**2.9.3 Customer satisfaction with key contractors and suppliers**

% of customer satisfaction with the repairs and maintenance service has risen from 75.80% last financial year to 91.21 % in quarter 3 which reflects improved customer satisfaction. Our contract monitoring process will allow us to further monitor this next financial year.

**2.9.4 Number of community benefit opportunities**

The report details the community benefit we have obtained this financial year. However, this has just been in the last 6 months following the implementation of our strategy. Over the next year, we have a range of community benefits in place for those contractors listed and plan to work in partnership with a third sector employability organisations to maximise training and employment opportunities in our communities, other benefits include sponsorship of community events, trade workshops/classes in community centres, talks in schools and CV and interviewing masterclasses.

**3. CONCLUSION**

- 3.1** The section above gives details of progress made against our Procurement Strategy objectives, details of procurement activity carried out and planned procurement activity.

**4. RECOMMENDATION**

- 4.1** The Management Committee is asked to:

- (i) Note the contents of this report and approve the revised Strategy.

<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 annual report ensures compliance with the new legislation.
<b>BUSINESS PLAN/STRATEGY IMPLICATIONS:</b>	The remit supports a key objective in the Business Plan 2016 – 19 in relation to: Objective 5 – Be well governed and financially strong.
<b>CUSTOMER:</b>	As part of the tenancy engagement strategy we will further develop tenant involvement in procurement.
<b>COMMUNICATIONS:</b>	Once approved the annual report and revised strategy will be published on our website.
<b>HEALTH AND SAFETY:</b>	No implications as a result 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>	No implications as a result of this report
<b>RISK ANALYSIS:</b>	The annual report and revised strategy will assist 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