



# **THE CALEDONIA GROUP PROCUREMENT STRATEGY**

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# Contents

1. Introduction	2
2. Procurement Strategy Aims	2
3. Procurement Strategy Objectives	3
4. Outcomes	3
5. Spend / Targets	4
6. Additional Elements for Consideration	7
7. Implementation Monitoring, Reviewing and Reporting	9
8. Policies, Tools and Procedures	10

# **1. Introduction**

This strategy aims to demonstrate a clear and well-structured approach to the Caledonia Housing Association Group's ("the Group") procurement activities outlining what will be done, and how this will be achieved. The Strategy will be supplemented by an annual Procurement Report which will cover specific activities and plans within each financial year.

In developing a Procurement Strategy, the following principle objectives have been set for procurement exercises:

- To ensure that in the first instance, the procurement process is clear and structured in such a way as to achieve the best value for money;
- To ensure that each procurement exercise is properly researched to consider alternatives and market forces which may impact on the exercise;
- To ensure that existing specifications are challenged and to seek out emerging sources of supply and methods of delivery;
- To ensure that contracts are appropriately managed during the life-cycle of the procurement;
- To ensure that the Group recognises and delivers on its responsibility to fulfil contractual obligations to pay creditors on time;
- To ensure that procurement across the Group is performed in a fair, open, transparent and cost effective manner;
- To ensure that procurement is carried out by appropriately trained staff;
- To ensure that sustainable and socially responsible purchasing is at the heart of what we do

## **2. Procurement Strategy Aims**

The Group's aim for procurement is to provide a high quality, fit-for-purpose Procurement Service which will provide best value for the Group and support in the delivery of its overall aims and objectives.

We will also aim to establish strategic thinking in all procurement efforts resulting in: value for money, responsible stewardship of group resources, protecting the health and safety of stakeholders and members of the public, customer-focused services, innovative suppliers, streamlining of business processes while maintaining organisational and regulatory compliance, with sustainability and diversity woven into everything we do.

This approach will help to deliver against each of the Group's key strategic objectives:

- Achieving Excellence – by ensuring that business and customer priorities are reflected in all works and services procured by the Group
- Building Success – by ensuring that all works and services are well planned, aligned to business priorities, and are procured effectively to deliver the required value for money
- Creating Innovation – by ensuring that all works and services procured reflect identified improvements in key business areas including the Group's broader sustainability objectives
- Developing People - by developing the right people with the right skills and mindset to achieve excellence, build success and create innovation

## **3. Procurement Strategy Objectives**

### **3.1 The purpose of the strategy is to:**

- Provide a framework for the Group to develop a plan which will achieve continuous improvement in procurement activity;
- Enable procurement to contribute to the Group's overall vision and to provide efficiencies to assist in delivering key priorities and front line services;
- Enhance compliance with relevant policies and procedures;
- Further extend collaboration with other public bodies and suppliers where appropriate;
- Coordinate and plan procurement across the Group.

### **3.2 The objectives of the strategy are therefore to:**

- Elevate the importance of procurement within the Group;
- Ensure that procurement is adequately planned and programmed;
- Build on current levels of performance in terms of procurement;
- Ensure procurement activities are aligned to corporate priorities and strategies, and to support the Group in achieving its targets and goals;
- Ensure all procurement activity is carried out as efficiently as possible to meet procurement savings targets;
- Ensure compliance with legislation and regulation;
- Ensure the group benefits from procurement in terms of economies of scale and efficiency.

## **4. Outcomes**

The following outcomes demonstrate the effective implementation of the Procurement Strategy and can be summarised as follows:

- **Value for Money** – ensuring that most economically advantageous solution is achieved through effective procurement activity;
- **Contracts** - ensuring that all spend, that can be positively influenced by our procurement activity, has a corresponding contract;
- **Compliance** - ensuring that all procurement activity, and suppliers contracted by the Association, comply with statutory and regulatory requirements; including requirements in terms of Freedom of Information; General Data Protection Regulations, and Equality & Diversity legislation;
- **Suitability** - ensuring that contracts can be structured in such a way as to ensure suppliers have sufficient resources and are committed to improving the service provided to customers;
- **Community Benefits** - ensuring a procurement plan to deliver community benefits through the procurement process is delivered;
- **Sustainability** - ensuring sustainable procurement is delivered across the Group;
- **Equality** – ensure equal treatment of all suppliers whilst maintaining transparency and proportionality for all aspects of the procurement process.

## 5. Spend / Targets

### 5.1 Key areas of spend

Each of the group partners procures a wide range of services and works. The Annual Procurement report provides a breakdown of spend over a number of higher spend categories for each financial year. By way of illustration, the following table provides a summary of key areas of spend using budget information for 2021/21 –

<b>Spend Categories</b>	<b>Total Annual Spend</b>
Contractors for new housing developments	£34.4m
Contractors planned/cyclical and service contracts	£8.8m
Reactive/void maintenance	£2.4m
Insurance	£0.5m
Energy	£1.5m
Legal & professional services	£0.3m
IT services and support	£0.7m
<b>TOTAL OF ITEMS LISTED</b>	<b>£48.6m</b>

Please note that each year, a proportion of budgeted spend will already have been influenced by procurement exercises already undertaken and, by the same token procurement exercises to be undertaken in the coming financial year might influence spend levels in subsequent financial years. Each year the level of 'procurement influenceable' spend will determine procurement priorities and activity.

### 5.2 Savings Targets

The Group acknowledges that Value for Money and achieving savings are of significant importance in the current operating environment. Best practice requires savings and efficiencies to be considered within each procurement exercise.

Annual budgets are agreed by the relevant Governing Body for each of Caledonia and Cordale and it is intended that, through strategic procurement as set out in this document, we would deliver the required Group outcomes within the amounts contained in the approved budget.

In order to deliver the savings identified it is necessary to consider how this will be achieved. Measures to be considered when considering a procurement exercise and the savings to be achieved are listed below :

- Following an open and transparent process;
- Creating attractive contract opportunities for bidders;
- Considering long term arrangements;
- Exploring partnerships and framework agreements;
- Procurement is proportional to requirement;
- Cashable savings for each contract;
- Non-cashable benefits;
- Contracts and/or arrangements established for all areas of spend where possible.

### **5.3 Benefits**

The following benefits are anticipated through following the procurement strategy and approach outlined in this document :

- a. Procurement exercise widely advertised creating a wider interest and establish a reputation for being a responsible purchaser;
- b. More interest from suppliers providing greater opportunities for choice;
- c. Longer arrangements result in the Group procuring less often therefore minimising risk.
- d. Potential savings and community benefits also associated with longer term agreements;
- e. Possibility of group partners benefiting from savings if working with others;
- f. Proportional approach to procurement will result in more interest and a greater number of suppliers meeting the relevant criteria;
- g. Documenting 'learnings' from each procurement exercise will provide information to consider improvements for the future
- h. Clear route for purchasing goods and services resulting in more timely decision being taken by well-informed staff members.

### **5.4 Minimising Costs and Maximising Value**

Delivering Value for Money is at the core of the procurement exercises undertaken by the Group. The Group will follow a robust procurement regime to ensure the optimal use of resources to ensure intended outcomes. To achieve this, the Group will award contracts based on a quality / cost basis and comply with relevant legislation.

### **5.5 Improving Spend Profile**

Reducing unplanned spend has been achieved with the introduction of various contracts and rationalisation of suppliers that cover all main areas of spend. Areas for improvement have been identified across Group companies and will be taken forward in conjunction with the Procurement Officer and relevant departments

These are:

- Rationalisation of consultants services;
- Items of work not covered by general contracts / considering further rationalisation of contracts and suppliers;
- Considering how purchases are made across the group.

### **5.6 SME's and Local Suppliers**

SME's and local suppliers will be considered for all contracts. Group partners have a number of contracts and arrangements in place that are particularly suited to SME's and local suppliers. Conversely there are also contracts and arrangements that are suited to larger suppliers due to value and type of requirement. To encourage SME's and local suppliers, the Group will:

- Ensure requirements are proportional to deliverables;
- Openly advertise opportunities;

- Consult and engage with those affected by our procurement
- Ensure contracts are advertised in a manner that allows maximum participation
- Review our internal processes and documentation to identify potential improvements in how local SMEs can gain opportunities to win Group contracts

### **5.7 Community Benefits**

The Group is committed to improving equalities and the economic prosperity of the communities in which it operates. Therefore the Group will develop and implement a procurement plan to deliver community benefits through procurement processes.

### **5.8 Financial Systems**

The QL financial and housing management system is used by all sections across the Group. In terms of finance and procurement this is used to hold supplier information, issue orders, record and log payments and provide reports on spend.

Brixx is financial modelling software that the Group use for medium to long term financial and scenario planning.

Each group partner use various systems and methods to monitor spend and budgets at departmental levels which is used to verify the information held on the QL system.

### **5.9 Delegated Authority**

Group partners have a schedule of delegated authority which sets out the authorisation levels for:

- The appointment of suppliers, including contractors and consultants;
- Applications and acceptance of offers of funding;
- Payment of suppliers.

### **5.10 Budget Allocation**

The Group Financial Regulations Policy sets out the Financial Planning, Budgetary Control and Management Accounting arrangements that are followed.

### **5.11 Mandatory Requirements (Section 15(5) of the Procurement Reform (Scotland) Act 2014)**

It is the Group's policy to adhere to all mandatory requirements as set out in the Procurement (Scotland) Reform Act 2014:

- contribute to the carrying out of its functions and the achievement of its purposes (2.5.1 of the Guidance under the Procurement Reform (Scotland) Act);
- deliver value for money (a balance of cost, quality and sustainability) (2.5.2)
- ensure processes are carried out in compliance with its duty to treat relevant economic operators equally and without discrimination (2.5.3);
- undertake to comply with its duty to act in a transparent and proportionate manner (2.5.4);
- comply with the sustainable procurement duty (2.5.5);

- adhere to community benefit requirements (2.5.6);
- consult and engage with those affected by its procurements (2.5.7);
- pay the Living Wage to persons involved in producing, providing or constructing the subject matter of regulated procurements (2.5.8);
- promote compliance by contractors and sub-contractors with the Health & Safety at Work, etc. Act 1974 and any provision made under that Act (2.5.9);
- procure fairly and ethically traded goods and services (2.5.10).

### **5.17 Procurement following Brexit**

The Group will comply with any relevant mandatory requirements following Brexit however it is anticipated that there will be no major changes in the short term. Therefore the Group will ensure that all procuring staff adapt to any changes in procurement rules by:

- Reviewing procurement processes before Brexit and ensuring appropriate procedures are in place for a smooth transition
- Adapting our internal procedures, processes and documentation, where required, to reflect any new requirements of Brexit.

## **6. Additional Elements for Consideration**

In addition to the mandatory requirements, other common elements that the Group will consider are outlined below.

### **6.1 Defining Supply Need**

Supply need is determined by operational need and the criteria set out in the Group's Business Plan.

It is acknowledged that the various departments within the Group have differing supply needs. Most departments purchase goods and services however at varying levels of expenditure and at different frequencies.

A contracts register has been established and is to be maintained by all departments that procure goods and services. The information contained within the register details the level of expenditure being considered and if there is a contract already in place or if another needs to be established.

The approach to determining supply will differ across various departments of the Group.

### **6.2 Ability of the Group to Procure**

The core function of the Group is not procurement however we will comply with legislation and best practice. Procurement responsibility falls to a wide range of staff including Directors, Managers and Officers. The Group staffing structure includes a dedicated Procurement Officer who will maintain the importance of procurement within the Group. Procurement will be carried

out by existing staff as part of their role with support and advice provided by the Procurement Officer where needed.

Procurement competency will be assessed within the organisation periodically using tools such as the Scottish Procurement Competency Framework.

### **6.3 People and Skills**

Staff who carry out procurement within the Group are experienced and skilled in their area of expertise. It is acknowledged by the Group that procurement is a separate skill set and training has been and will continue to be provided to those who carry out procurement exercises. Identification of skills gaps and determining what training is required will be rolled out as procurement legislation and best practice changes.

### **6.4 Roles and Responsibilities**

Governance of the procurement process will be achieved by clearly identified roles and responsibilities of the individuals involved. Table viii below provides a summary of this.

<b>Table viii: Roles and Responsibilities</b>	
Governing Body	Provide sponsorship and ensure appropriate governance and organisational arrangements are in place. Ensure sufficient skilled resources and that the procurement function is recognised in wider organisational policies.
Relevant Functional Director	Ensure that the function is appropriately staffed, organised and supported to deliver procurement requirements.
Operational Managers & Officers	Deliver user requirements whilst ensuring compliance with legislation, achieving Best Value and management of contracts.
Procurement Officer	Elevate and sustain the importance of Procurement within the group. Provide advice for those procuring, assist in determining most effective solutions. Ensure that procurement is planned and programmed to meet requirements, and arrangements are in place to manage contracts.

### **6.5 Organisational Enhancements**

The Group has established levels of delegated authority which are linked to staff position within the organisation. The purpose of this is to ensure that any major spend, plan to spend or procurement exercise is either overseen or approved by the appropriate staff member.

### **6.6 Identification and Management of Risks and Opportunities**

The Group recognises that risk is an inevitable part of its work, and effective risk management optimises the balance between risk and control. The Group Risk Management Strategy sets out:

- The Group's risk appetite;
- Risk management process;
- Key roles and responsibilities;
- Procedures for assessment, evaluation, monitoring and reporting

The Group Project Risk Appraisal Policy and Group Housing Development Appraisal are closely associated with the Risk Management Policy and set out the risk appraisal process to be followed for capital and other projects dependent on the nature and value of the project.

## **7. Implementation, Monitoring, Reviewing and Reporting**

### **7.1 Implementation**

The Procurement Officer is responsible for the development and ongoing monitoring and review of the Group Procurement Strategy.

Implementation of the Procurement Strategy and Policy will be the responsibility of each Directorate within the Group.

Each Director, (or delegated Manager) will be responsible for ensuring that the function and therefore the strategy is appropriately staffed, organised and principles are supported to deliver procurement requirements.

### **7.2 Monitoring**

Monitoring will be carried out annually and will consider targets that have been set for the year and the criteria set out in the Annual Procurement Report Requirements. A contracts register will be maintained to keep an accurate record of all contracts entered into by Group companies, and in order to plan future procurement activity. The Contracts Register can be found at the following location:

<H:\Shared Documents\Contracts Register\Master Caledonia Contract Register.xls>

#### **7.2.1 Annual Procurement Report**

The Procurement Reform (Scotland) Act 2014 states that purchasing organisations must report on procurement activity annually. Specific measures to be reported by the Group via the Annual Report are:

1. To prepare an annual procurement report on its regulated procurement activities as soon as reasonably practicable after the end of that financial year.
2. The report will include:
  - a. a summary of the regulated procurements that have been completed during the year covered by the report;
  - b. a review of whether those procurements complied with the authority's procurement strategy;
  - c. to the extent that any regulated procurements did not comply, a statement of how the authority intends to ensure that future regulated procurements do comply;
  - d. a summary of any community benefit requirements imposed as part of a regulated procurement that were fulfilled during the year covered by the report;

- e. a summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the year covered by the report;
  - f. a summary of the regulated procurements the authority expects to commence in the next two financial years;
  - g. such other information as the Scottish Ministers may by order specify.
3. For the purposes of subsection 2 a, a regulated procurement is completed when the award notice is published or when it otherwise comes to an end.

### **7.3 Reviewing and Reporting**

The Annual Procurement Report will provide the information required to review and identify any areas where performance has improved or fallen short of the desired level. This information will then be utilised to review the Procurement Strategy annually. Each Group company will input to the Annual Procurement Report and provide information to inform the strategy.

## **8. Policies & Procedures**

Procurement requires group wide consideration. Policies and procedures are in place that are integral to the procurement function and the deliverables of the Group and the sections therein.

Applicable Policies & Procedures are as follows:

- Group Procurement Policy
- Group Equality and Diversity Policy
- Group Anti-Money Laundering Policy
- Group Anti-Bribery Policy
- Group Anti-Fraud Policy
- Group Entitlements, Payments and Benefits Policy
- Group Staff Code of Conduct
- Group Financial Regulations Policy
- Group Delegated Authority Policy
- Group Risk Management Policy
- Health & Safety Policy
- Group Freedom of Information Policy
- Group Data Protection Policy

Applicable National Policies, Tools and Legislation can be found by clicking the following links:

- [Scottish Model of Procurement](#)
- [Changes to European Directives](#)
- [Public Procurement Reform Programme](#)
- [Suppliers Charter](#)
- [EU Procurement Thresholds](#)
- [Procurement Journey](#)
- [PCIP](#)
- [Public Contracts Scotland](#)
- [Public Contracts Scotland – Tender](#)