

Procurement Strategy

Published on RCH Website 16th December 2016

Contents

1.	Background and purpose	3
2.	Executive Summary	4
3.	Key Context	5
4.	Procurement Vision.....	6
5.	Strategy Rationale & core principles	7
6.	Strategic Priorities.....	8
7.	Action Plan.....	11
8.	Links to Other Policies and Strategies.....	11
9.	Implementation.....	12

Appendix 1 – Action Plan

Appendix 2 – Ancillary Objectives of the Procurement Strategy

1. Background and purpose

This purpose of this document is to set out the full context, objectives and approach to Procurement throughout River Clyde Homes (“RCH”). This strategy advocates the positive role that robust procurement activity has in helping RCH to continue to deliver effective and efficient services.

RCH spends over £24m every year on a wide range of supplies, services and works. This Procurement Strategy sets out how RCH will direct and control this expenditure and highlights how it will be used, not only to deliver essential savings, but also to support our wider procurement objectives.

As RCH is a registered public body, our aim is to ensure that all procurement activity secures value for money whilst complying with the legislative requirements of the Procurement (Scotland) Regulations 2016; the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014. This Procurement Strategy aligns to the Scottish Government’s vision of “Delivering procurement that improves public services for a prosperous, fairer and more sustainable Scotland” and “delivers local economic, environmental and social benefits”.

This Strategy applies to RCH and its subsidiary, River Clyde Property Management. It should be read in conjunction with:

Key Strategic documents

- Business Plan
- Risk Management Strategy
- Value for Money Strategy (in development)
- Asset Management Strategy

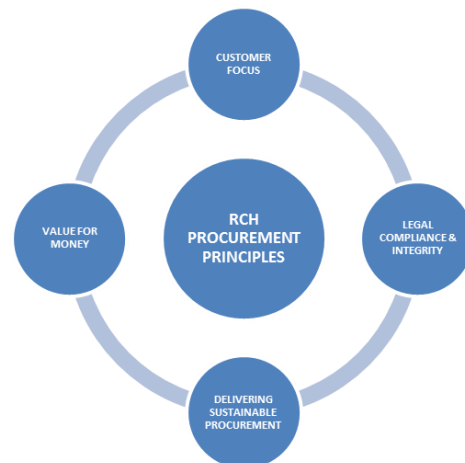
Key Policies and Procedures

- Contract Procedure Rules
- Financial Regulations
- Anti-Fraud & Whistleblowing Policy

2. Executive Summary

RCH's Corporate Procurement Strategy will help deliver our core procurement principles:

- Customer focus
- VFM
- Legal Compliance & Integrity
- Sustainable development.



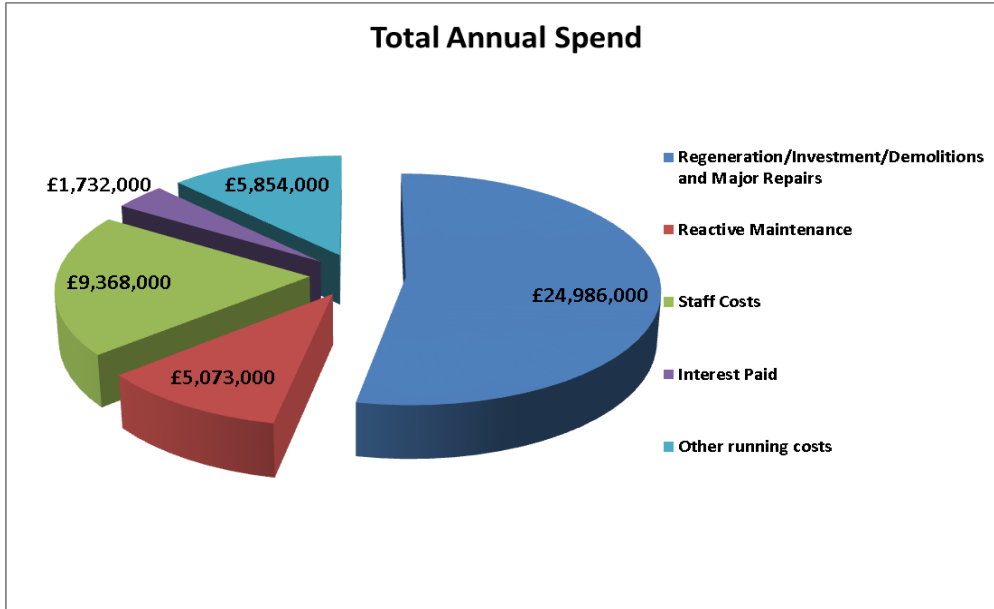
These principles underpin our strategic procurement objectives:

1. Achieve customer focus by aligning our needs with the needs of our customers and that our customers are consulted and engaged in the procurement process.
2. Achieve optimal value for money through effective procurement and run a leaner, more effective procurement functions
3. Ensure that all our procurement activity complies with the law and is ethical
4. Ensure that our regulated procurement is carried out in a manner that actively promotes the sustainable procurement duty and where applicable, provide additional community benefits

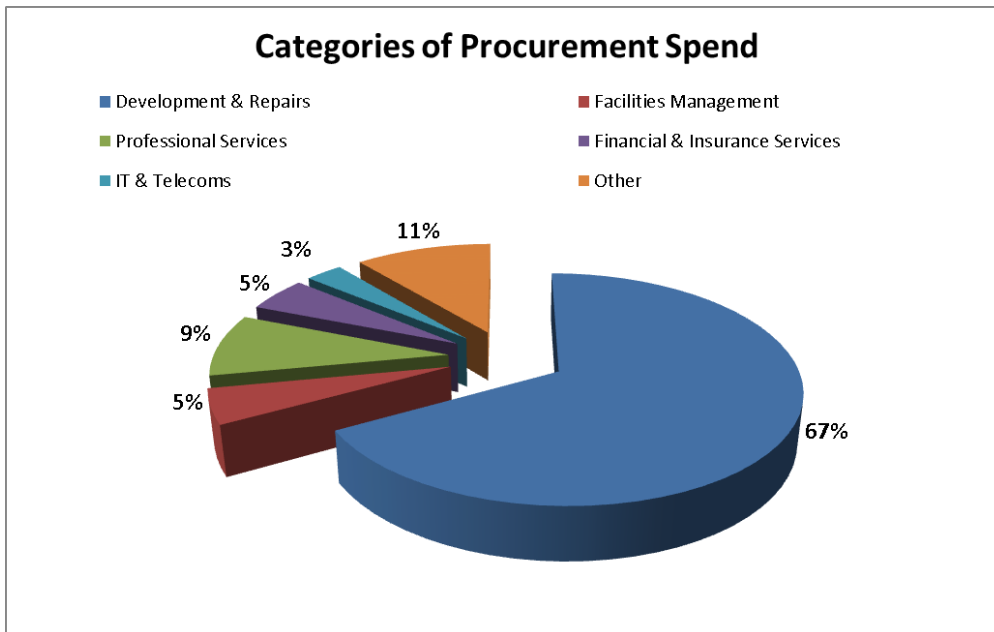
3. Key Context

Spend Information

Our Total Annual Spend for the year 2015/16 was £47m (Inc VAT), analysed as follows:



Of the £47m, circa £30m was spent on outsourced works, services and supplies which were subject to procurement regulations.



The key categories of procurement spend are summarised below.

Development & Repairs (67% of procurement spend): The major spend for RCH is on Development contracts. This includes planned major works expenditure which ensures our stock continues to comply with our letting standard and regulatory standard (e.g. SHQS). The costs include roofing works, windows, doors, rewires, kitchens, bathrooms, boilers and various external works.

The 2015/16 development spend included significant expenditure associated with the Broomhill Regeneration Project. This level of spend is not representative of a typical year's spend on such works (a total of approximately £26m is budgeted for Broomhill over a period of three years). Going forward, our development and repair spend will be based upon our Asset Management Strategy (the key areas of spend being new build and major capital works).

The RCH repair service is generally carried out in-house. Expenditure associated with this service that requires procurement includes Vehicle Leasing & repairs and specialist contractor works.

Professional Services (9%): This category includes costs relating to Legal Advice, Consultancy Services, Architects and Surveyors.

Facilities Management (5%): These costs include decoration, fire safety (communal fire alarms, emergency lighting and other fire equipment such as fire extinguishers) and space and hot water heating (including gas safety checks).

Financial & Insurance Services (5%): Cash collection costs, audit, Property Stock & Business Insurance.

4. Procurement Vision

Our procurement vision is to deliver commercially effective, compliant procurement processes across the business. We will:

- Procure works, supplies and services which will ensure excellent customer service and supplier contract management,
- Build the company's reputation as leaders in procurement, securing innovation, value for money and quality of services from our supply base,
- Develop a culture where efficiency and continuous improvement are at the heart of how we do business. This will enable us to demonstrate that our money is spent wisely, aligned with our value for money strategy.

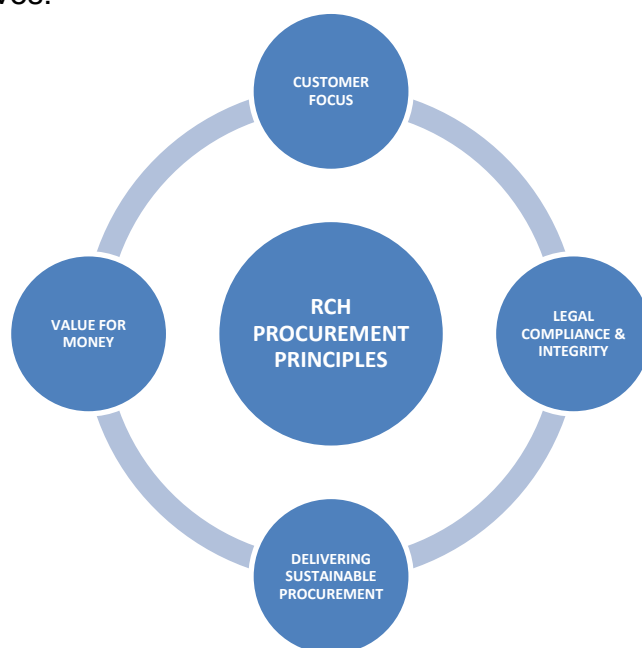
Our mission statement is to provide strong leadership in the procurement process through knowledge, teamwork and communication with the aim of improving

efficiencies, delivering cost savings and ensuring transparency and fairness of opportunity for the supplier community.

5. Strategy Rationale & core principles

Our Procurement strategy has been developed to enable delivery of our procurement vision.

The strategy enables the procurement function to make a sustained contribution to the achievement of our organisational objectives and ensures the successful delivery of our Asset Management Strategy. Our Procurement Strategy has four core principles/objectives:



- **Customer Focus:** To achieve customer focus by aligning our needs with the needs of our customers and that our customers are consulted and engaged in the procurement process.
- **Value for Money:** To achieve optimal value for money through effective procurement and to run a leaner, more effective procurement function.
- **Delivering Sustainable Procurement:** To ensure that our regulated procurement is carried out in a manner this actively promotes the sustainable procurement duty and where applicable provide additional community benefits.
- **Legal Compliance & Integrity:** To ensure that all our procurement activity complies with the law and is ethical. For example, this will involve treating those who bid for our tenders equally and without discrimination and ensuring our regulated procurements are conducted in a transparent and proportionate manner.

These core principles underpin our strategic priorities for procurement, which are discussed below.

6. Strategic Priorities

Customer Focus

To achieve customer focus by aligning our needs with the needs of our customers and that our customers are consulted and engaged in the procurement process

By putting the customer at the heart of everything we do, we will aim to ensure that customers are appropriately involved in procurement activity by:

- Consulting customers in determining priorities for expenditure and potential efficiencies.
- Consulting customers in procurement decisions that affect them and engaging with stakeholders to design services to meet the needs of our customers.
- Where appropriate, involving customers in the selection of services and providers.
- Ensuring customers involved in procurement consultation are given appropriate training and support to help them make informed decisions that uphold our procurement strategy.
- Undertaking customer satisfaction surveys to understand user views, with the results published internally and externally and fed into an improvement plan which is regularly monitored.

We shall carry this out in accordance with our customer involvement strategy.

Value for Money

To achieve optimal value for money through effective procurement and to run a leaner, more effective procurement functions.

Effective procurement can significantly improve the quality of services we deliver to our customers. Value for money must form the basis for all procurement decisions taken by RCH. This principle will be embedded through the development and implementation of a VFM strategy.

Each procurement decision should decide whether supplies, services or works can be provided in a more effective, efficient and economic way. In the context of procurement, obtaining value for money means choosing the goods/service which offers the optimum combination of whole life cost and benefits to achieve our corporate objectives. This is not necessarily the lowest price option as the balance of Value for Money in each regulated procurement activity will vary on a case by case basis.

All options should be considered and the decision should take into account (but not limited to) our obligations in terms of delivering quality, social value, managing risk and managing health and safety. By adhering to this strategy's aims (which compliment and reinforce each other) RCH shall maintain consistency and transparency in the procurement process.

Our key initiatives to achieve VFM include:

- Reviewing key national and sectoral collaborative frameworks in addition to potentially entering into our own bespoke framework agreements, to encourage delivery to our customers in the most efficient and cost effective manner.
- Investigation and application of more effective commercial evaluation models (e.g. whole life/ life cycle costing) and encourage innovation (e.g. by encouraging variant bids).
- Through support of the Senior Management Team, seek early engagement with services and suppliers to ensure procurement is conducted strategically and with sufficient time dedicated to ascertaining the company's requirements and how best to design the accompanying procurement process.
- Aim to continuously improve through learning and self-assessing. This will be achieved through embedding a culture of review and self-challenge with regard to our procurement activities.

Delivering Sustainable Procurement

To ensure that our regulated procurement is carried out in a manner this actively promotes the sustainable procurement duty and where applicable provide additional community benefits.

Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis, in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment.

This strategy aims to ensure that the company will be compliant with the relevant legislation (the Procurement Reform (Scotland) Act 2014) and the general and other duties contained therein including the sustainable procurement duty.

The key initiatives that will support delivery of sustainable procurement include:

- Embedding sustainability in our corporate procurement in a relevant and proportionate manner as required by legislation, including consideration of intended outcomes relating to climate change, materials, waste, hazardous materials, community benefits, health and well being, fairly and ethically traded supplies and services, the promotion of equality and fair work practices.
- Continue to support and improve access to procurement opportunities for SMEs, supported businesses and the third sector.
- Encourage innovation by the use of outcome specifications and variant bids where relevant and proportionate.

Legal Compliance & Integrity

To ensure that all our procurement activity complies with the law and is ethical. This will involve treating those who bid for our tenders equally and without discrimination and ensuring our regulated procurements are conducted in a transparent and proportionate manner.

We will fully implement the new Procurement Regulations and the requirements (and aims) of the Procurement Reform (Scotland) Act 2014. We will do this by updating our contract procedure rules to support total compliance with these new changes and by delivering training across the company for staff involved in procurement activity.

Our contract procedure rules actively promote good practice as well as integrity and probity of our procurement processes. To ensure that our procurement approach is applied evenly and consistently across the whole company, all officers are required to comply with our contract procedure rules. Our contract procedure rules ensure that all procurement activity complies with the letter of the law and also the principles of equal treatment, non-discrimination, transparency and proportionality on which such law is founded.

We recognise that all officers involved in the letting of contracts on behalf of RCH act with the utmost probity and that there must be no hint of bias in the award of any contract. To this effect, staff are required to declare any personal interest in corporate contracts and where any potential conflict of interest arise the staff member is disbarred from participating in any aspect of the contract selection, evaluation and award.

In line with the Bribery Act 2010, the company prohibits any member, staff, contractor or other person acting on RCH's behalf from gaining any commercial, contractual or other advantage for the company which is unethical or in order to gain personal advantage (financial or otherwise) for the individual or anyone connected with the individual.

Ancillary Aims of Strategy

There are a number of ancillary objectives that are fulfilled by our procurement strategy. These include

- Payment of a living wage
- Promotion of Health & Safety compliance
- Fair and ethical trade

These and other ancillary objectives are covered in more detail in Appendix 2.

7. Action Plan

RCH has identified priority actions within our full Procurement Strategy Action Plan. These key actions support the achievement of our four key objectives and are summarised below.

Key Procurement Outcomes

- Optimise VFM
- Apply the Sustainable Procurement Duty
- Increase Procurement Team Visibility

Procurement Process

- 'Customer Care' award criterion within the tender evaluation criteria
- Tenants will be invited to take part in appropriate tender exercises
- All contracts above £10k will involve Procurement Team (except in exceptional circumstances)
- Make 'community benefits' a tender award criterion, where relevant, regardless of contract value

Key Analysis/Guidance Material

- A "Quick Guide" to procurement will be completed for all staff

Further detail on the above actions is contained in Appendix 1.

8. Links to Other Policies and Strategies

RCH's Procurement activities will continue to support and promote relevant RCH policies, strategies and regulations, of which the majority are embedded within existing procurement processes and procedures. These are set out below:

- Contract Procedure Rules
- Scheme Of Delegation
- Financial Regulations
- Corporate Social Responsibility Policy
- Customer Care Policy
- Customer Involvement Strategy
- Asset Management Strategy
- Value for Money Strategy

9. Implementation

As required by the legislation, the Procurement Strategy will be reviewed on an annual basis to ensure that the strategy reflects up to date legislation and best practice.

The Executive Director, Group Services shall progress the delivery of this strategy and regularly report on procurement savings, sustainable procurement and community benefits to the Audit and Finance Committee.

The Lead Officer for the Procurement Strategy is The Executive Director, Group Services although the full managerial team has collective responsibility for delivering the strategy and action plan.

A first point of contact for any queries in connection with this strategy is the Finance & Procurement Manager:

Email: Steven.Duffy@riverclydehomes.org.uk

Appendix 1 – Action Plan

Objective - Customer Focus

Action	Description	Impact	Lead
Include 'Customer Care' as a scored weighting in relevant tenders.	Each contract procured which impacts directly upon our tenants will have a 'Customer Care' award criterion within the tender evaluation criteria. Suppliers will have to state how they will ensure minimum disruption to RCH tenants with any works / service being performed, and specify how they will ensure our tenants are satisfied with the quality of the works / service being provided.	<ul style="list-style-type: none"> ➤ Requires suppliers to consider our tenants when they are submitting a tender. ➤ Ensures only suppliers who have adequately responded to our 'Customer Care' question are awarded contracts. ➤ A better customer experience for our tenants from our external suppliers. 	Procurement Team
Customer Satisfaction Survey's	Customer satisfaction surveys will be undertaken to invite our tenants' views on Procurement Issues. The results will be fed into an improvement plan which is regularly monitored.	<ul style="list-style-type: none"> ➤ RCH directly speaking to our tenants regarding Procurement Issues will ensure they are aware of how seriously their views are taken into consideration. 	Communications Team
Tenant Participation	When the 'annual authority to procure' is submitted to the Audit Committee for approval in April, relevant tenders will be identified where customer involvement in the process can add value. Tenants will then be invited to take part in these tender exercises.	<ul style="list-style-type: none"> ➤ Tenants will have a real say in the contracts being awarded by RCH ➤ Tenants gain a greater understanding of the Public Procurement process and gain trust that RCH is procuring in a sensible manner, spending their money wisely. 	Procurement Team

Objective – Value for Money

Action	Description	Impact	Lead
Lower Value Threshold for Procurement Team Involvement	All contracts with an accumulative value of more than £10k (except in exceptional circumstances) will now involve the Procurement Team (previous limit £50k) and be subject to a formal competitive procurement process via the 'Quick Quote' function of the Public Contract Scotland Website.	<ul style="list-style-type: none"> ➤ Ensures Lower value contracts are still subject to competition. ➤ Ensures due diligence is carried out on suppliers. ➤ Better control of supplier / spend information. 	Procurement Team
Increase General Procurement Awareness	The Contract Procedure Rules (CPR's) will be updated to reflect the changing procurement legislative landscape and a 'Quick Guide' to procurement will be drafted for all staff members, not just managers.	<ul style="list-style-type: none"> ➤ All RCH staff more aware of their own responsibilities regarding procurement. ➤ Cut down on maverick spend as staff use correct suppliers, at correct rates. ➤ Ensure Procurement Team engaged at an earlier juncture. ➤ Reduce risk of RCH falling foul of new legislation. 	Procurement Team
Invoicing	RCH clearly stipulate the format which is required for suppliers to produce invoices. They should detail RCH order number; contract reference number; a description of the works carried out, a breakdown of the cost (correlated to the pricing schedule), and the extended value of the job. Any invoice not provided in this format should be rejected by Finance.	<ul style="list-style-type: none"> ➤ Accurate invoices will make it simpler for RCH to check that we are being charged the correct rates by our procured suppliers; reducing maverick spend. 	Finance Team
Current Contracts	<p>Procurement Team to ensure that our 'Current Contracts' sheet is up to date and contains working links to successful contractors tender documents, and the pricing schedules.</p> <p>Investigate ways for successful contractor's prices to be allocated directly on to the finance system to ensure that the correct rates can automatically be entered.</p>	<ul style="list-style-type: none"> ➤ Ensures that all staff has access to accurate information relating to which suppliers we have procured for each service, thus reducing incidences of maverick spend. 	Procurement Team

<p>Supplier Invoice Audit</p>	<p>It is necessary to ensure that RCH are receiving the correct tendered rates from our procured suppliers. Although the responsibility for the accuracy of a contractor's invoicing lies with the Lead Officer, the Procurement Team will run a 'sense check' every 3 months on a random selection of RCH contractor invoices to ensure contractual rates are being adhered to.</p>	<ul style="list-style-type: none"> ➤ Reduce maverick spend ➤ Reduce the risk of falling foul of procurement legislation. 	<p>Procurement Team</p>
<p>Rationalising Suppliers</p>	<p>A manual exercise to remove erroneous suppliers from the finance system to ensure they aren't used requires to be undertaken.</p>	<ul style="list-style-type: none"> ➤ The removal of erroneous companies from the system will prevent any orders being raised with them in error. 	<p>Procurement Team</p>
<p>Economies of Scale</p>	<p>An analysis of RCH's low value spend with suppliers should be undertaken to ascertain whether the services provided may be grouped together and competitively tendered.</p>	<ul style="list-style-type: none"> ➤ Rationalises supply base which will reduce purchasing ordering processes. ➤ Better value achieved as economies of scale realised, and competition entered in to these low value spends. 	<p>Procurement Team</p>

Objective – Delivering Sustainable Procurement

Action	Description	Impact	Lead
Sustainable Procurement Duty	Prior to undertaking each regulated procurement process RCH Procurement staff will meet with the service and ensure that we consider how in conducting the procurement process we can improve the economic, social, and environmental wellbeing of the Inverclyde area and facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process. This may take the form of where appropriate only inviting supported businesses to bid for contracts, or splitting contracts into Lots to enable more SME's to bid.	<ul style="list-style-type: none"> ➤ Help deliver on the Scottish Governments Sustainable procurement Agenda ➤ Encourage more SME's to bid for RCH contracts. ➤ Promote innovation in our procurement processes. 	Procurement Team
Community Benefits	RCH will continue to make 'Community Benefits' a tender award criterion for each contract we considers it to be relevant to, regardless of the contract value. The score available will be worth a minimum of 5% of the total tender score.	<ul style="list-style-type: none"> ➤ Deliver wider arching benefits to Inverclyde through our procurement processes 	Procurement Team

Objective – Legal Compliance & Integrity

Action	Description	Impact	Lead
Ongoing Supplier Spend Analysis	<p>A supplier spend report requires to be interrogated on a regular, ongoing basis to highlight any new incidences of potential non compliant spend following the initial spend analysis.</p> <p>Investigate the implementation of an alert system to prevent works being ordered from a supplier which would breach stated spend thresholds.</p>	<ul style="list-style-type: none"> ➤ Ensures potential future non compliant contracts can be discovered early and prevented from breaching the regulations. 	Procurement Team
Procurement Team Visibility	<p>Procurement Team will reintroduce monthly / bi-monthly meetings with key staff. Regular procurement meetings will provide an avenue for all procurement related issues to be discussed, and educate key staff on the new regulations and their impact.</p>	<ul style="list-style-type: none"> ➤ Help reduce the risk of non-compliance with the regulations. 	Procurement Team
Annual Report	<p>RCH are required to publish an Annual Procurement Report on its regulated procurement activities, and evidence to what extent it has fulfilled the aims set out in its Procurement Strategy. In RCH's case the first report will be due as soon as reasonably possible after 30th April 2018. The report requires a plethora of information to be provided and a system should be put in place to record the required info on a continuous basis.</p>	<ul style="list-style-type: none"> ➤ Ensures compliance with legislation ➤ Continuously recording the required information will allow RCH to map the progress made against this strategy on an on-going basis. 	Procurement Team
Training	<p>To ensure that RCH Procurement Staff and RCH's Legal Adviser are kept abreast of the developments and nuances of the changing public procurement legislative landscape in Scotland any relevant training courses should be made accessible.</p>	<ul style="list-style-type: none"> ➤ Ensures staff are well versed in the relevant legislation which reduces the risk of any instances of non compliance. 	Human Resources

Objective – Ancillary Objectives of the Procurement Strategy

Action	Description	Impact	Lead
Fair Work Practices	Where relevant, and in line with the statutory guidance, RCH will make a tenderer's 'Fair Work Practices' an award criterion within its tenders. A strong indicator of a companies fair work practices is the payment of the living wage, and this will be reflected in the scoring allocated. The score available will be worth a minimum of 5% of the total tender score.	<ul style="list-style-type: none"> ➤ Encourage supplier who wish to work with us to pay the Living Wage to their staff ➤ Encourage suppliers who wish to work with RCH to be responsible employers. 	Procurement Team
Payment Terms	RCH has a dedicated Finance Team which ensures prompt payment of each of RCH's contractors on receipt of a valid invoice. RCH pays all of it's suppliers within 30 days. Going forward RCH will ensure that a clause is inserted in all of our contracts requiring our contractors adhere to the above timescales when dealing with their own wider supply chain. Spot checks will be carried out to ensure adherence.	<ul style="list-style-type: none"> ➤ Help encourage our suppliers to pay their wider supply chain within a timeous manner thus supporting SME's. 	Procurement Team

Appendix 2 – Ancillary Objectives of the Procurement Strategy

Payment of living wage

We believe that those organisations whose staff are well rewarded, well motivated, well led and who have appropriate opportunities of training and skills development are likely to deliver higher quality services. One of the clearest ways an employer can demonstrate that it takes a positive approach to its workforce is by payment of the living wage. RCH is a Living Wage Accredited Employer and shall have regard to the Scottish Government's document: Statutory Guidance on the Selection of Tenderers and Award of Contracts - Addressing Fair Work Practices including the Living Wage in Procurement. Our contract procedure rules shall be updated to reflect the recommendations of this policy document.

Promoting contractor and sub-contractor compliance with the Health and Safety at Work etc. Act 1974

We shall include in our selection criteria (where proportionate) a requirement for contractors to demonstrate a responsible and robust health and safety approach to their contract performance and the company shall amend its contract procedure rules to ensure that appropriate clauses are inserted into all regulated contracts promoting compliance of contractors and sub-contractors with same.

Fairly and ethically traded goods and services

Where relevant and proportionate to a regulated contract, we shall encourage fair and ethical trading principles in its procurement requirements. We will do this by receiving assurances of fair and ethical practices in supply chains by including (where relevant and proportionate to the subject matter of the contract) contract conditions requiring the contractor to comply with relevant social, environmental and employment law.

Regulated procurement involving the provision of food

- (i) Improve the health, well-being and education of communities in our area, and***
- (ii) Promoting the highest standards of animal welfare***

RCH do not currently procure food or catering. However, if this situation is to change in future then we shall have regard to the Scottish Government Policy Document 'Catering for Change: Buying Food Sustainably in the Public Sector'.

Ensuring fair payment terms to creditors

So far as reasonably practicable, the following payments are made no later than 30 days after the invoice (or similar claim) relating to the payment is presented—

- (i) payments due by the authority to a contractor,***

-
- (ii) payments due by a contractor to a sub-contractor
 - (iii) payments due by a sub-contractor to a sub-contractor.

RCH are committed to ensuring that businesses are paid on time because we understand that how important it is to pay businesses promptly once a service has been performed or good delivered. We recognise that late payment is particularly detrimental to SMEs, third sector bodies and supported businesses.

We shall amend our contract procedure rules to ensure that a clause is written into all corporate contracts reflecting the above payment requirements. Additionally the Finance and Procurement Manager shall carry out random spot checks to ensure this requirement is being adhered to.