



## Langstane Housing Association

### Procurement Strategy 2019 - 2023

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## Table of Contents

<b>1.0 Introduction</b> .....	<b>4</b>
<b>2.0 Context</b> .....	<b>5</b>
<b>3.0 Procurement Vision</b> .....	<b>8</b>
<b>4.0 Procurement priorities</b> .....	<b>8</b>
<b>5.0 Mandatory Obligations</b> .....	<b>10</b>
<b>Appendix 1 – Procurement Action Plan</b> .....	<b>13</b>

## 1. Introduction

This strategy is aimed at promoting effective procurement throughout the Langstane Group, comprising Langstane Housing Association and its subsidiaries Langstane Properties, Langstane Development and Langstane Maintenance. It aims to strike a balance between setting out a high level framework for the delivery of excellent procurement and delivering a detailed plan which will address specific targets.

The key objectives of this strategy are to:

- Make sure our procurement practice reflects our vision, values and strategic priorities
- Secure commitment to excellent procurement from staff across the organisation
- Provide a point of reference and focus for procurement matters
- Plan the way forward on improving our procurement activities
- Deliver demonstrable savings as part of an organisation wide efficiency / value for money drive
- Ensure that we meet our sustainable procurement duty
- Ensure that our procurement is carried out in full compliance with legislation



**Our mission:**  
to provide homes  
and services that  
make a positive  
difference to  
people's lives



**Our vision:**  
to be the best we  
can be



**Our values:**  
we value people  
we aim high  
we are proud of our roots  
we rely on teamwork  
we are prudent financial managers  
we are open and accountable  
we move with the times

Our 2020-25 Business Plan vision is to 'be the best we can be' and for Langstane that means focussing on continuous improvement of the services that our tenants most want and need. Good procurement underpins this - done well, it can deliver savings, increase the quality of goods and services, reduce maverick spend and improve approaches to contract and supplier management.

## 2.0 Context

### External context

Defined as a “Public Body Governed by Public Law”, Langstane has procurement duties placed on it by a number of different pieces of legislation:

#### **Procurement Reform (Scotland) Act 2014**

- A duty to publicly procure services / goods contracts over £50,000 in value and works contracts over £2m in value
- Duty to act in a transparent and proportionate manner and to carry out regulated procurement in a way that treats economic operators equally and without discrimination
- Duty to comply with sustainable procurement obligations
- Where procurement spend will exceed £5m in any year, a duty to publish a Procurement Strategy and review it annually
- Where regulated procurement spend has exceeded £5m in any year, a duty to publish an Annual Procurement Report reviewing our procurement activities in that year against our procurement strategy
- A duty to publish regulated procurement opportunities and contract awards on the Public Contracts Scotland website
- A duty to consider community benefit requirements for all procurement with an estimated contract value over £4m
- A duty to provide feedback to unsuccessful tenderers
- The duty to keep and maintain a publicly available contracts register

#### **Procurement (Scotland) Regulations 2016**

- A duty to carry out public procurement of contracts with a value over £50k for good / services and £2m for works but below the EU<sup>1</sup> thresholds (see below) in accordance with the requirements set out in the Regulations which cover:
  - How contract value is estimated
  - Contract process (PIN, contract notices, splitting contracts into lots etc.)
  - Rules for awarding contracts without competition
  - Mandatory and optional reasons for excluding tenderers
  - Rules for preparing technical specifications

#### **Public Contracts (Scotland) Regulations 2015**

- A duty to publicly procure services / goods contracts exceeding the GPA threshold of £189,330 and works contracts exceeding the GPA threshold of £4,733,252

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<sup>1</sup> Although the UK exited the EU on 1<sup>st</sup> January 2021, the tendering thresholds will continue to apply. The UK now follows the World Trade Organisation Government Procurement Agreement and procurement rules will shift to fall in line with the GPA. GPA thresholds mirror the EU thresholds so there will be no change to procurement thresholds.

- A duty to carry out the procurement in accordance with the requirements set out in the regulations which covers:
  - How contract value is estimated
  - Types of procurement (open, restricted, negotiated etc.)
  - Contract process (PIN, contract notices, splitting contracts into lots etc.)
  - Procedures for awarding contracts
  - The process for tenderers to raise proceedings against a contracting authority

This procurement strategy is committed to ensuring that Langstane complies with the duties inferred on it by the various Regulations and Acts, and that its approach to complying is best practice.

### Internal context

In July 2018 Langstane’s approach to procurement was assessed by Scotland Excel, using their ‘Procurement & Commercial Improvement Programme Lite’ (PCIPL) tool.

The PCIPL assessment considered LHA’s approach to procurement across four key areas – Leadership & Governance, Tendering, Contract Management and Purchasing Processes – and placed Langstane on the ‘Blue’ performance band of the scale below.

The PCIPL assessment recommended the following improvements:

- Procurement action plan required to drive improvements
- More focus on sustainable procurement
- More detailed spend analysis to identify and reduce maverick spending
- Segmenting of contracts by spend / risk with different levels of contract management applied to each category

These recommendations have informed our procurement priorities and accompanying action plan.

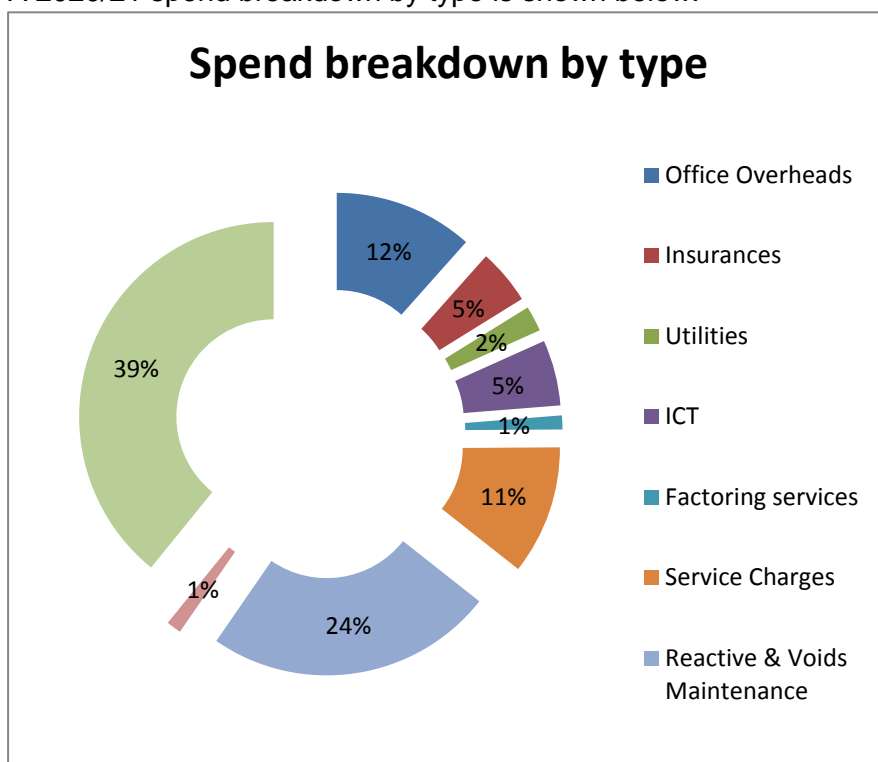
By the end of this four year strategy period Langstane aims to be performing at Bronze level.

Score	Performance Band
<25%	Non-conformance
26 – 40%	Blue – 2018 level
41 – 50%	Purple
51 – 60%	Bronze – 2023 level
61 – 75%	Silver
>75%	Gold

## Spend analysis

Langstane already manages a considerable amount of procurement – in the 2020/21 financial year our spend on goods, services and works (excluding staffing costs and loan repayments) totalled £5.8m. An analysis of this spend showed that:

- We spent money with 254 suppliers.
- Of these suppliers we spent less than £2,000 (our quotation threshold) with 95 (37%).
- We spent between £2,000 and £20,000 with 114 suppliers (5%).
- We spent between £20,000 and £50,000 with 29 suppliers (11%).
- Of these 29 suppliers, 24 provided supplies or services - if their spend was projected over 3 years it would exceed the £50,000 threshold for regulated procurement.
- Of these 29 suppliers, spend with 8 could be described as 'off-contract' – meaning that one-off small value jobs are being instructed from these suppliers, but the suppliers have not been publicly procured – showing that there is scope to aggregate spend on small value items and procure contracts that offer better value.
- We spent over £50,000 with 16 suppliers (6%). The majority of this spend was on works as well as utility costs and IT costs.
- The most spent with a single supplier was £1,317,659 which was spent with a works contractor.
- The biggest spend areas for the Association are component replacements, reactive & voids maintenance and planned & cyclical maintenance.
- A 2020/21 spend breakdown by type is shown below:



### 3.0 Procurement Vision

*“To deliver consistently well-managed, compliant procurement activities that result in, competitively priced goods, services and works contracts that meet customer expectations”*

### 4.0 Procurement priorities

Our Procurement Strategy has been developed to enable delivery of our procurement vision. This strategy ensures that procurement makes a sustained contribution to the achievement of our Business Plan, and to the successful delivery of our Asset Management, Development and Community Investment Strategies.

Our Procurement Strategy has four core priorities:



**Good practice and compliance** – to consistently apply good procurement practice across the organisation.

Activities:

- Publish our Procurement Policy
- Develop a Procurement Manual which clearly sets out the Association’s expectations for procurement activities
- Identify and train in-house Procurement Champions who will provide advice and support to procuring staff
- Develop a procurement training matrix to ensure staff and board members receive procurement training appropriate to their role
- To set up a Procurement Working Group with representation from across the Association, whose purpose is to ensure the Strategy action plan is achieved
- Use external support where appropriate
- Achieve Bronze Level PCIPL Assessment by the end of the Strategy period



**Value for Money** – explore options for delivering financial savings, quality and social value and be able to demonstrate the benefits of procurement activities

Activities:

- Identify opportunities for collaborative procurement with other bodies to maximise purchasing power and increase value for money through economies of scale
- Use existing procurement frameworks where beneficial to the Association
- Allow sufficient time and resources to ensure procurement is conducted strategically and procurement outcomes are clearly identified and understood
- Where appropriate, involve stakeholders in procurement activities to ensure the procured works, goods or service will meet expectations
- Implement a 'benefits tracking' methodology in order to measure the benefits and savings associated with newly tendered / retendered contracts

**Planning, monitoring and reviewing** – to understand current and future procurement requirements and to continuously monitor and improve our procurement performance

Activities:

- Identify all current / future procurement requirements through collation of current contracts and spend analysis to identify new procurement opportunities
- Maintain a Procurement Programme to monitor and record progress of procurement activities
- Categorise procurement activities on the Procurement Programme by risk to the Association to allow early identification of supplier and contract management requirements
- Preparation of Pre-Procurement Plans for all procurement activities over £50,000 to ensure appropriate planning is undertaken prior to progressing individual procurement activities
- Monitor all regulated contracts through Key Performance Indicators (KPIs) and regular meetings with suppliers throughout the life of the contract
- Monitor customer satisfaction with contracts
- Monitor and assess community benefit outcomes
- Publish an Annual Procurement Report as required

**Sustainable procurement:** to help improve the economic, social and environmental wellbeing in our geographical areas of operation

Activities:

- Seek to add value to procurement activities by through the inclusion of proportionate community benefit requirements
- Understand the environmental impact of procurement decisions and identify opportunities to save energy and resources and reduce waste
- Increase the use of e-tendering and work towards e-invoicing to reduce our own paper use

- Publish our own Sustainability Policy
- Facilitate the involvement of SMEs and local suppliers, third sector organisations and supported businesses in our procurement activities
- Achieve Level 2 (Embedded) on the Scottish Government's Flexible Framework tool for assessing performance in sustainable procurement.

## Action Plan

The activities outlined in Section 4 have been collated into an Action Plan at Appendix 1 which sets out timescales and responsibilities for each action.

## 5.0 Mandatory Obligations

This section documents our approach to meeting the mandatory requirements for a procurement strategy as set out in the Procurement Reform (Scotland) Act 2014

### Achieving our purpose

We will regularly analyse our spend to identify 'GPA regulated procurements' and 'lower value regulated procurements' and ensure these are effectively planned and managed.

We will sort regulated procurements into procurement categories (Routine, Managed and Strategic) that align individual procurement activities with our aims and objectives by taking account of the risk of the procurement to our organisation and our customers. This will in turn help us to consider the appropriate level of contract and supplier management for each procurement activity to ensure it helps us to achieve our purpose of '*providing homes and services that make a positive difference to people's lives*'.

### Delivering value for money

Value for Money as defined by the Scottish Model of Procurement (see figure 1) is not just about cost and quality but about the best balance of cost, quality and sustainability.

We will, through our Procurement Policy and the preparation of individual Pre-Procurement Plans for each procurement activity, seek to identify the best balance of cost, quality and sustainability for each procurement activity depending on the particular commodity, category and market.

We will ensure that the value for money of contracts is measurable, using appropriate key performance indicators to measure cost, quality and sustainability requirements.

### Treating relevant economic operators equally and without discrimination

Equal treatment and non-discrimination are fundamental procurement principles of the GPA and we adopt these principles in all of our procurement activities. We do this by:

- Ensuring that all of our regulated procurement is advertised on PCS and conducted transparently – we will increasingly tender non-regulated items on PCS Quick Quotes to ensure that lower value procurement is also conducted transparently.

- Giving consideration to breaking requirements into lots to facilitate the involvement of smaller suppliers
- Planning procurement activities so that they place the minimum burden possible on tenderers in order to encourage greater participation from potential suppliers

### **Acting in a transparent and proportionate manner**

We will ensure that we engage widely with the local supply market on an on-going basis. We will promote the use of clear and unambiguous language in our specifications and ensure that contracts are awarded using appropriate quality, risk, sustainability and cost factors according to declared score weighting specific to each contract.

We will take active steps to make it easier for smaller and local businesses to bid for contracts through:

- The use of Public Contracts Scotland and Quick Quotes
- Early engagement with the market through the use of PIN notices and gathering of supplier feedback where appropriate
- The provision of training and/or information on third party training opportunities to build suppliers capacity to navigate the public procurement process
- Publication of our contracts register to highlight contracts that local suppliers may be interested in bidding for

We will ensure that contract requirements are proportionate and don't unfairly penalise SMEs – in particular requirements for annual turnover, insurance cover and available resources should be proportionate to the size and complexity of the procurement activity

### **Engaging with our customers**

Procurement impacts our customers in many ways; be it the quality of their kitchen upgrade or the reactivity of our repairs service or the standard of their communal cleaning. The effectiveness of all of the services that customers receive will be impacted by how well the initial procurement of that service was managed.

We will consider each procurement activity; the customers affected by the resultant contract and ensure that appropriate consultation is carried out. Consultation might range from asking customers to provide feedback on proposed specifications or quality standards through to involving customers on interview panels.

### **Sustainable procurement duty**

We will give consideration to the environmental, economic and social impact our procurement activities and consider ways, on a contract by contract basis, that we can encourage involvement of SME's, third sector businesses and supported businesses in our procurement activities. We will also consider how we can use procurement to reduce energy use and resource waste, and will look to introduce whole life costing into procurement processes.

To support compliance we will make use of available tools, in particular the Scottish Government's Flexible Framework tool.

### **Community benefits**

We are committed to identifying opportunities to include community benefits within our procurements, not just for those contracts with a value in excess of £4m but also lower value contracts where proportionate to do so and in accordance with our Community Investment Strategy.

Community benefits will always aim to improve the economic, social or environmental wellbeing of our tenants, the communities they live in and the wider north-east region.

### **Scottish living wage**

We recognise the value of a well-motivated and dedicated workforce both within our own organisation and those of our suppliers. We pay the real living wage to our directly employed staff and have been an accredited Living Wage Employer since 2020.

When procuring, in compliance with the Act we will consider whether it is relevant and proportionate to include a question on fair work practices along with other relevant criteria, whilst ensuring the appropriate balance between the quality and cost of the contract.

### **Promoting compliance with the Health and Safety at Work etc. Act 1974**

We are committed to only contracting with suppliers that comply with all appropriate and relevant legislation, including health and safety legislation.

Where appropriate, and contract by contract, we will assess the legislation that is applicable to each procurement exercise and take steps to ensure bidders comply with such legislation.

### **Fairly and ethically traded goods and service**

We support the sourcing of goods which are fairly and ethically traded.

Where it is relevant to do so we will make use of appropriate standards and labels in procurements to take account of fair and ethical trading considerations as well as considering alternative equivalent offerings from suppliers that can demonstrate they meet the specified criteria without necessarily having the specific certification.

### **Payments to Contractors and sub-contractors**

We recognise the importance of paying suppliers promptly once a service has been performed, goods delivered or works completed and late payment is detrimental to suppliers, particularly SMEs, third sector bodies and supported businesses. We will regularly review our payment timescales to suppliers to ensure they are within our standard 28 day payment terms.

Where it is appropriate to do so, for instance where a strategically important contract is reliant on subcontractors, we will also review contractors' payments to their sub contractors.

Appendix 1 – Procurement Action Plan

Priority	Action	Owner	Timescale	Progress
Good practice and compliance	Publish our Procurement Policy	DoP	March 2019	Complete
	Publish Procurement Strategy annually and notify Scottish Government as required	DoFCS	March each year	Complete for 2021
	Produce a Procurement Manual to ensure staff across the Association are procuring in a consistent and complaint manner	DoP	May 2019	Complete
	Retain external procurement services to provide advice and support to procuring staff	DoFCS	Complete	Due to lack of staff with regulated procurement experience it has been decided to retain external procurement advice instead of creating procurement champions.
	Develop a training matrix for staff and board members with procurement involvement and ensure required training is provided	DoFCS	Ongoing	Complete for Staff – Board Member training as required
	Set up a Procurement Working group to ensure a cross-organisation approach to procurement	DoFCS	August 2022	Delayed due to Covid / remote working.
	Achieve Purple Level PCIPL	PWG	March 2023	To be delayed due to Covid
	Achieve Bronze Level PCIPL	PWG	March 2024	
Value for Money	Develop a ‘benefits tracking’ methodology to assess value for money of procurement activities	PWG	December 2022	Delay until procurement Group set up
	Create and maintain Procurement Programme which clearly shows future procurement requirements	DoFCS	March 2019 and ongoing	In progress

<b>Planning, monitoring and reviewing</b>	Procurement requirements to be categorised based on complexity and risk to the Association	DoFCS	March 2019 and ongoing	In progress
	Pre-Procurement Plan template to be developed for use on all procurements over £50,000 in value	DoP	May 2019	Actioned
	Develop a means of regularly reviewing key contracts at a high level to assess contract performance, customer satisfaction, community benefit delivery etc.	PWG	December 2022	Delay until PWG set up
	Publish Annual Procurement Report and notify Scottish Government as required	DoFCS	June each year	Ongoing
<b>Sustainable procurement</b>	E-tendering to be used for at least 75% of all procurement activities between £20k and £50k	PWG	August 2020	Complete – almost 100% being tendered through PCS unless specialist
	E-tendering to be used for at least 75% of all procurement activities between £5k and £20k	PWG	August 2021	This is complete – the majority of work goes through Quick Quotes.
	Aim to be e-tendering 100% of all procurement activities or procuring from frameworks	PWG	August 2022	Challenge in terms of lack of interest from contractors for some work, particularly in Moray. We get better response if we issue tenders by email.
	Research e-invoicing options and make decision on preferred option	DoFCS	September 2021	Aareon Contractor Portal purchased Jan 2020 but on hold until operational issues resolved.
	Investigate potential for Living Wage Employer accreditation	DoFCS	December 2020	Action Complete – Accreditation achieved November 2020
	Publish Sustainability Policy	DoP	September 2020	Complete
	Achieve level 2 of Scottish Government's Flexible Framework	PWG	March 2023	

DoP – Director of Property  
DoFCS – Director of Finance & Corporate Services  
PWG – Procurement Working Group

Langstane Housing Association Ltd is a registered Scottish Charity No. SC 011754, a registered Property Factor No. PF 000666 and a registered Letting Agent No. LARN2001005

