



 The Hillcrest Group of Companies

ANNUAL PROCUREMENT REPORT 2017/18

Prepared by:

Corporate Services Manager

Approved by:

Audit & General Purposes Sub-Committee

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Foreword

The Hillcrest Group of Companies published its Procurement Strategy in 2015 as required by the Procurement Reform (Scotland) Act 2014 (the Act). In order to comply with this Strategy and the Act the organisation has now compiled its first Annual report.

The purpose of this report is to publish the Group's procurement performance and achievements in delivering its procurement strategy.

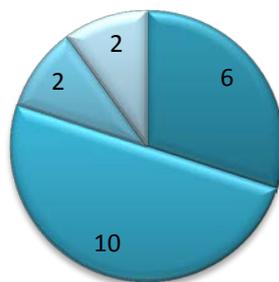
1. Regulated Procurement

The Group awarded 20 regulated contracts in 2016/2017 with a value of £2,110,557.47, these are listed in Appendix 1. These were awarded by the companies within the Group for various areas of work including goods and services.

Figure 1 below shows the number of contracts awarded for each quarter of 2017/18. In line with budget setting processes most of the procurement was undertaken in the early part of the year.

Number of Contracts by Quarter

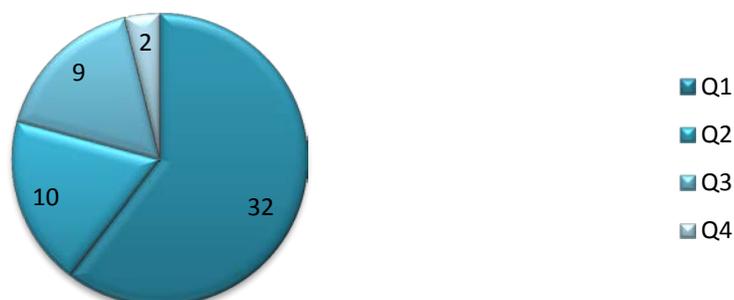
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Regulated procurement has supported the Group to achieve savings and attract local supplies of services. Our KPIs will be revised in 2018/19 to enable the capture of more precise saving and local supplier information so that the Group can further report next year in these areas.

There were 60 non-regulated contracts awarded, at a value of £631,688. Figure 2 below shows the number of contracts awarded for each quarter of 2017/18.

Number of Contracts by Quarter



No contracts were awarded as part of a collaborative contract or through Non-competitive Actions.

The Hillcrest Group records all procured services with a value of £10,000 upwards on the Group's Contracts Register for regulated and unregulated procurement.

The Group's new build development procurement is carried out through a framework which has been in place for the last two years. We utilise the framework for procurement call offs against different new build activities on a design and build basis. During 2017/18 166 new units were completed. The procured cost of new build developments for mainstream housing was £29,596,105 and for mid-market rentals, £5,870,8213.

Attached to this report (appendix 1) is a copy of our Contracts Register for the period.

2. Procurement Strategy

There are a number of key objectives set out in the Group's Procurement Strategy. This section describes in summary what has been achieved and outcomes in support of these key objectives. It also indicates areas of improvement and processes that are being put in place to support future procurement work.

Leadership and Governance

The Director of Corporate Services is accountable for the Procurement function and ensures that all Procurement activities reflect and support the core values and corporate objectives of the Hillcrest Group of Companies. The Director of Corporate Services, with support from the Procurement Strategy Group, will also:

- Ensure Procurement guidance, including Policy, Procedures and Best Practice is current and is communicated through all appropriate channels, as and when required.
- Continue to update and develop the Procurement Strategy and Action Plan, together with all attendant documentation, to mirror any changes in legislation or Best Practice.
- Provide training, as appropriate, and develop the roles and responsibilities of any staff engaged in the Procurement function.
- Manage any risks associated with Procurement and will also maintain a comprehensive Contracts Register.
- Deliver an Annual Procurement Report at the end of each Financial Year which will include a summary of goods and services procured during the financial year. This will then be available on the Intranet and Website.
- Promoting compliance by contractors and sub-contractors with the Health and Safety at Work Act 1974.

Summary of Objectives

The Hillcrest Group has achieved all the tasks set for the objectives above. The Group continually looks at ways of improving our performance. There is a comprehensive policy and procedure in place which is reviewed annually, making sure that best practice is taken into account. The

Procurement Strategy and action plan are updated quarterly to ensure progress against objectives and that our processes comply with legislation.

Officers within the group, involved in procurement and tendering, have undergone training with the Scottish Federation of Housing Associations and attended various conferences and sessions to increase their knowledge. The Group is currently investigating a range of formal qualifications that could be undertaken by staff to further support the procurement function.

A comprehensive Contracts Register is updated and published online every quarter. There has been further development of a new procurement area on the Group's website and our procurement journey and contracts information is available to the general public through this platform.

The Group is committed to promoting appropriate health and safety legislation with our contractors and suppliers. Revisions have been put in place for the procedures to ensure competent risk assessment, method statements and health and safety policies are received from those who we work with. There is direct support to SMEs provided if required, to help them achieve the requirements of this and to ensure that they are compliant with internal procedures.

Achieving Value for Money

The Director of Corporate Services will seek to secure tangible improvements in value for money whilst maintaining or improving standards of quality. 'Value for money' as it relates to procurement should be taken to mean 'the most advantageous combination of cost, quality, sustainability and other factors which meet customer requirements.' This will be achieved by ensuring current and future Procurement activities are planned, monitored and reviewed effectively.

The Director of Corporate Services, with support from the Procurement Strategy Group, will also:

- Evaluate resource implications: financial and non-financial resources required to facilitate the procurement exercise. This will include consideration of any approvals required
- Develop and agree criteria and scoring matrix per procurement exercise
- Benchmark wherever possible, on costs to ensure that we are achieving value for money.
- Undertake an annual spend analysis allowing us to proactively look for any future procurement opportunities.
- Ensuring as far as is reasonably practicable payments are made within 30 days of invoices or similar being received.

Summary of Objective

As a large organisation we are committed to a fair and transparent procurement process, allowing internal resources to be in a position to facilitate a speedy and comprehensive process for procuring goods and services. There is a comprehensive scoring matrix for all regulated procurement utilising comprehensive scoring on quality as well as cost.

The scoring matrix is adjusted to suit the contract specification as required for each new tendering process. There are regular reviews of the scoring matrix, undertaken with lead officers to determine that it is fit for purpose.

The Procurement Team carried out a large scale spend analysis to determine what areas across the Group would benefit from a tendering process and areas of multiple expenditure that would benefit from a collaborative tender or framework process. This has resulted in the development of a procurement plan for the next three years. This plan will be used to manage regular procurement and provide transparency across the Group in relation to the services and goods that are procured.

The Group carries out payment runs twice a month to ensure that all invoices are paid timeously. Our current rates of payment on time are 93%. When problems occur with processing an invoice contact is made with the supplier as soon as possible to have the appropriate amendments made.

Innovation and new ways of working

We are committed to encouraging and promoting innovation and new ways of working, which is consistent with our ethos of continuous improvement and modernisation throughout all areas of Procurement. This will include:

- Using Information Technology to improve effectiveness and efficiency such as assessing the viability of introducing e-Tendering, e-Auctions and other e-procurement solutions.
- Developing our Internet and Intranet sites as an information source, for example, publishing the Procurement Annual Report and Contracts Register.
- Holding a suite of Management Information to enable the Group to measure and communicate our Procurement performance.
- Providing training to relevant employees to ensure Procurement knowledge and skills are up to date, this will include the use of our e-Learning (E-Den) initiative, Procurement Scotland resources, as well as the other more traditional methods of workplace learning.

Summary of Objective

The Group utilises Public Contracts Scotland for all procurement processes and is open to using other methods as they become available. There are dedicated intranet and internet pages where relevant information for staff and external stakeholders is published.

There is further ongoing development of the management information used for monitoring procurement performance and currently there are an established set of KPI's. However, these are minimal and the focus is now on expanding these performance measures, especially those related to the savings and best value achieved through the use of procurement and tendering processes.

Lead officers are regularly offered access to procurement training and support from more experienced peers. In addition to this, work is ongoing to identify if there are appropriate e-learning courses available that can be utilised by staff.

Delivering Sustainable Procurement

Sustainable procurement takes account of the environmental, social and economic impacts and benefits of the procurement process. It looks to reduce those impacts and enhance the benefits to the local community and the environment. The Hillcrest Group of Companies recognises that sustainability is not just the environmental considerations in procurement, but is an overarching ethos which pulls together economic efficiency and environmental protection in pursuit of social and corporate objectives. The Hillcrest Group of Companies will ensure that wherever practicable the following will be taken into account during the procurement process:

- Products and services to be procured for the Hillcrest Group of Companies will be investigated to see if they are fully required and if there is more sustainable alternative available.
- Ensuring the procurement of goods or services contributes to the sustainability objectives and ethos of the organisation.
- Ensure that the impact of the manufacture of the product on the environment is minimised.
- Giving greater credence to organisations who can prove their sustainable credentials and performance.
- Avoid overlooking opportunities for local sourcing to support SMEs and Social Enterprises.
- Adhere to regulated procurement involving the provision of food.

Summary of Objective

An evaluation of the goods or services being tendered, is undertaken to determine if an existing service could be used or if there are potential alternative available. All procurement is carried out taking into account the Group's environmental, waste management policies and procedures and ISO accreditation. The Group will only engage with organisations who can demonstrate that they hold similar ethos and values in these areas. The scoring matrix does include scores for companies who evidence environmental management systems and commitment to areas such as sustainability and waste management.

The Group are fully committed to supporting SMEs. A number of training opportunities were recently facilitated by Hillcrest and delivered by SHFA and Supplier Development Scotland to SMEs, providing advice and guidance on their engagement with the procurement process. A number of events have been held within head office for contractors to attend, to support a new approved contractor process.

The development of further KPIs to measure SME involvement will take place during 2018/19 to allow us to report more fully on the numbers and types of SMEs engaging in tendering processes.

Community Benefit; Stakeholder outcomes and Key Performance Indicators (KPI's)

Community Benefits are a means of providing opportunities to bring a social and local economy dimension to tender activity. This strategy identifies those aspects of community benefits that can be derived from the contracts the Hillcrest Group enters into with third party suppliers of goods, services and works. This may mean the introduction of clauses within tenders for outcomes that directly link to a social and local economic dimension:

- Ensure there is an understanding of all stakeholder requirements and expected outcomes
- Ensure Community Benefit is embedded in all appropriate procurement processes.
- Monitor Community Benefit performance as a key part of overall contract monitoring.
- Record and report on all areas of activity, including Community Benefit
- Consider working in partnership with other third sector organisations to provide employment and training opportunities for our communities wherever possible

Summary of Objective

Staff who are regularly involved in procurement are briefed and supported by the Corporate Services Team to understand expected outcomes. Support is provided to lead officers to identify where community benefits would be proportionate to the contract being tendered for. The largest contracts we undertake, where community benefits are seen, are within HHA and NHC new build development programme and these benefits are monitored in partnership with local authorities.

Promoting Equality & Diversity

In our Equality & Diversity Policy, procurement is one of our ten key principles. We take into account, not only our equality commitments when tendering for contracts, but also monitoring actions during and post contract to assess the quality of service, including treating all customers with respect. Other actions will include:

- Only appointing contractors and consultants who are able to demonstrate their commitment to Equality and Diversity.
- Providing advice and guidance via a number of channels on equalities for all individuals or organisations doing, or wishing to do, business with the Hillcrest Group.
- Working with other organisations to develop training and employment initiatives designed to encourage people from traditionally under-represented groups to work, by way of example, in the construction industry.
- Commitment and promotion of working with organisations who are committed to paying the living wage in particular around producing, providing or constructing the subject matter of regulated procurement.
- Committed to procuring ethically traded goods and services

Summary of Objective

As a Group we are committed to equality and diversity. The procedures we utilise allow us to gather evidence of any equality policies and procedures from those we contract with. There has been additional criteria applied to our contracts management process, whereby the Group seeks a commitment from a supplier to pay their employees the national living wage. The Procurement Team and HR provide advice to those organisations and sign post organisations, where possible, to appropriate organisations that can help them achieve positive outcomes in paying national living and minimum wage rates.

3. Community Benefits

The Hillcrest Group has no regulated procurement that identified community benefits, outside of the new build development programme activities. It is encouraged in the tender documents for those who bid, to include any information on community benefits that may come about as part of the procurement process, however for the low level costs of these contracts it is not mandatory.

As the Group develops its Procurement Strategy for 2018/2019 and beyond, we are building in processes that will allow the capture of Community Benefits information more clearly as part of the contracts that are awarded through Route 2 and 3. The relatively low costs of our procurement contracts for services and goods compared to the cost of development and new build contracts have made this a difficult area to tackle locally, but the drive going forward is to identify and be committed to realising Community Benefits in all forms.

The Group will be undertaking impact measurement exercises over the next year and part of this work will look at the impacts our business has on customers, service users and tenants in their community. Many of our procured services form part of our service delivery, therefore, the analysis involved in measuring our impacts and performance will develop indicators to help us measure the benefits seen within the community.

4. Supported Businesses Summary

The Hillcrest Group is committed to exercising 'open' tendering. There is a strong drive to provide support and guidance to organisations who ask for assistance. The Group actively promotes training and information sharing with various organisations to support businesses enabling them to effectively participate in a tendering process.

During the latter stages of 2016/17 the Group embarked on the development of a revised approved contractor process for low value works in our repairs and maintenance service. The Procurement Team and HMS held an event to promote the new venture. With staff from across the organisation in attendance, they explained the process and gave guidance to businesses who attended. The event attracted attendance from over 100 businesses with the majority being from local SMEs from the Tayside area.

As this process moves forward it has been identified that there is an increase in SMEs who are based in our local communities to carry out works on our behalf. These contractors will also have access to submit quotes through the 'quick quote' system on Public Contracts Scotland. It is expected that this process will support our local communities and with an increase in work available to these contractors. This may lead them to provide training and job opportunities and potentially being able to expand their workforce. This process has been extended to suppliers and a similar exercise is now being progressed. This is also hoped to provide work to local businesses and enables them to provide other opportunities for local communities.

5. Future Regulated Procurements Summary

The Hillcrest Group has a three year procurement plan which identifies current and future regular contract requirements. This is reviewed quarterly by the Procurement Strategy Group and amended as required. A copy of the plan is attached to this report (Appendix 3).

6. Other Consideration

The Hillcrest Group will continue to work with consultants on large tender exercises in the future. This will enable the Group to gain best value when procuring complex or high value services and ensure staff have the support and opportunity to learn in areas which they lack expertise, as well as looking at different ways in which services can be procured. The support of consultants can provide key learning for staff for future tendering.

In addition to this staff from within the Corporate Services Team have been investigating formal qualifications in procurement and supply chain management to increase their knowledge and expertise in order to provide increased support to Lead Officers.

The Group is always keen to look at training opportunities and best practice sharing sessions and look to be represented at these types of events to establish networks of support in other similar organisations and gain knowledge of best practice and practice elsewhere.