



Loreburn
Housing Association

Creating Great Places to live

Annual Procurement Report 2021

Introduction

The purpose of this report is to enable Loreburn Housing Association (LHA) to comply with its obligations under the Procurement Reform (Scotland) Act 2014, Section 18(1) to prepare and publish an annual procurement report on its regulated procurement activities.

The Procurement Reform (Scotland) Act 2014 requires any public organisation which has an estimated annual regulated spend of £5 million or more (excluding VAT) to develop and review a procurement strategy annually before the start of the next financial year.

In addition to the mandatory procurement strategy, to meet regulatory requirements the organisation must also prepare and publish an annual procurement report disclosing how its procurement activity has complied with its published procurement strategy.

LHA seeks to apply the principals of openness and transparency to all its stakeholders. We have prepared this report in the past without a legal requirement to do so. However, due to our ongoing new build programme we are annually exceeding the £5m threshold so are legally bound to complete both the strategy and the annual report.

A regulated procurement is any procurement for public goods/supplies or services with a value of over £50,000 or any procurement for public works with a value of over £2million.

The guidance and template issued by the Scottish Government to report on our performance has been used.

The report covers LHA 2020/21 financial year which ended on the 31 March 2021.

In compliance with Section 18(2) of the Act, this report will include:

- Summary of Regulated Procurements Completed
- Review of Regulated Procurement Compliance
- Community Benefit Summary
- Supported Businesses
- Future Regulated Procurements Summary

Between 1 April 2020 and 31 March 2021, 8 regulated procurements were completed.

Section 1 – Summary of Regulated Procurements Completed

Compliant procurement is a key fundamental to LHA's achievement of the strategic objective for delivering value for money and applying the general duties of fair and equal treatment as well as transparency and proportionality.

In total there are 24 live contracts (at the end of June) listed in the Associations regulated contract register; of these 8 contracts were awarded in the year 2020/21 and 2 have been recorded so far in 2021/22. The 8 contracts awarded in 2020/21 are as follows:

Contractor	Works/Good/Services	Procurement Method
Ashleigh (Scotland) Ltd	Development - Heathhall Phase 1B	Scotland Excel Framework
Ashleigh (Scotland) Ltd	Development - Longmeadow	Scotland Excel Framework
Caledonia Cleaning Services	Communal Cleaning - Lot 2	PCS
Caledonia Cleaning Services	Communal Cleaning - Lot 1	PCS
Dumfries Electrical Services	EICR	PCS
Martec Engineering Group	Door Entry system Replacements	PFH
McGill Scotland Ltd	Installation of Smoke, Heat & Co Alarms	PCS
Nithsdale Plumbing & Heating	Gas Servicing	PCS

During the reporting period, LHA engaged with multiple procurement routes to ensure we could obtain the goods/services/works required and a value for money cost. All regulated procurement methods are reviewed to ensure that the correct route to procure is chosen in order to give the LHA customer the best value for money option.

The full list of regulated procurement contracts used by the association throughout 20/21 can be found in Appendix 1. This includes contracts that have been issued prior to 20/21 financial year, those issued within 20/21 and agreements signed early into 21/22.

The up to date contracts register is publicised on the Association’s website and can be found at the following link: <https://loreburn.org.uk/get-involved/information-downloads/>

Section 2 – Review of Regulated Procurement Compliance

The overall objective for LHA procurement strategy in 2020/21 was to support the Associations Corporate plan by delivering best-in-class procurement outcomes which are customer focused whilst achieving value for money, innovation and delivering sustainable social value.

In order to achieve this, we considered the following key priorities in delivering the strategy;

Priority	We will do this by:	Compliance
Rent affordability	Ensure we get the best deal, quality, and value	To ensure we get the best possible deal in any procurement our policy includes guidance 60%/40% Quality/Price split to ensure our customers get value out of contract and not just a race to the bottom on price. Deviation to this policy is seen within the tendering of development works with a 70/30 Price /Quality split to ensure that cost effective, sustainable and relevant pricing is achieved.
Supporting Scotland’s Economic Strategy	Investment in suppliers in the communities we serve. Work with suppliers that create new opportunities for employment in D&G.	Of the 8 regulated contracts we tendered, 6 were awarded to different suppliers. The only multiple supplier was of a similar nature and were for communal cleaning services & development of new build sites. Of the 6 suppliers used for regulated activities 2 have their Head Office in Dumfries and Galloway, so operate in the areas our communities are located. Of the 4 that do not have Head Offices in Dumfries, 1 operates a staff bases in this area and employee local people and another is seeking to set up a base in the region in the near future with them having multiple contracts in the region.
	Innovation – work with suppliers that strive to innovate in product and service delivery	Throughout the 20/21 year the first Passivhaus units were delivered outwith regulated activity and a contract was awarded delivering 27 units of

		<p>which 7 are of passivhaus standard showing progress towards innovation in product. A passivhaus framework agreement was tendered for within the year and awarded in Apr 21 to the value of £40m showing our continued commitment to delivery.</p> <p>Throughout the year contact with several organisations has been made to review innovative ways of understanding and assessing our stock in terms of condition and efficiency; no agreements have yet been entered into but early in the 2021/22 year pilot schemes are expected to be used as a way of moving innovation forward.</p> <p>In terms of Service Delivery we have been working with our contractor base to build a portal which integrates with our repairs and finance systems to enhance the process of agreeing, approving and paying of works.</p> <p>Introduction of a new software platform is being reviewed to improve accuracy of gas servicing.</p>
	<p>Inclusive Growth – work with suppliers that provide training and employment opportunities, drive fair work practices, promote equality and tackle inequality and seek low carbon solutions</p>	<p>As noted half of the supply base for regulated activity have bases within the region and all contracts that contain community benefits have clauses written in to provide training and employment opportunities.</p> <p>Loreburn has secured Living Wage Accreditation again this year and as part of our internal process for regulated procurement a contractor/supplier must be committed to paying the living wage.</p> <p>We are actively working with suppliers to seek out options for delivering low carbon solutions.</p>
	<p>Involving SME in delivery of our goods/service/works</p>	<p>Our policy states that staff should review the register of suppliers on Public Contracts Scotland to understand what suppliers are out there to deliver what we require.</p>

		Of the 8 regulated contracts we tendered in 2020/21, all went to SME's.
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Loreburn Housing Association is striving towards a robust and efficient procurement process that enables the organisational objectives to be achieved. Our strategy reflects the Scottish Governments shift to move to Zero Carbon and how through procurement we can support this.

In order to ensure measured progress the strategy now includes five ambitions to help us define progress towards our aims, being:

- All spend that can be positively influenced by procurement activity has a corresponding contract.
- All procurement activity complies with statutory and regulatory requirements and is supported by a detailed technical specification of our purchasing requirements.
- All relevant contracts are arranged to include sustainable procurement requirements.
- All relevant contracts are arranged to include community benefits and make use of these benefits.
- All staff trained to be able to carry out a regulated procurement activity.

Each year a detailed action plan will be created, and progress on the prior year plan will be reported internally to the Audit and Compliance Committee.

The key areas of progression and improvements achieved throughout 2020/21 include:

- Training delivered from an external consultant on the procurement process and the various methods of carrying out regulated procurement activities
- Engagement with customers via a consultation process for regulated tenders that directly impact the customer (this included 3 contracts within the year)
- Developed our own new build supplier and consultant framework to deliver the innovation we require around delivery of Passive Haus properties, which is Loreburn's response to zero carbon and affordable homes – the contract for this was awarded in April 2021.
- Project plans have been introduced to ensure contract award can be done in a timely manner as to not disrupt the supply of goods and services
- Quarterly review of all regulated procurement activity across all areas of the business to ensure all information is captured
- Annual collation and review of supplier spends to identify where Loreburn could benefit from contracts agreements being in place
- Community benefits have been included in 5 of the 8 contracts awarded within the year; the 3 contracts that do include benefits were awarded prior to internal procedure change which states all contracts must include community benefits

Key priorities for the next year are to include:

- Hold a meet the buyer event to detail how suppliers can engage with LHA in tendering for both regulated and unregulated procurement activity
- Review Scottish Governments National Procurement Competency Framework to define what skill level each role in the organisation should have in relation to procurement
- Tendering plans to be enhanced in the form of a clear structured timetable
- Full review of contracts in place and the set up of a central contract depository
- Develop and agree an aspirational standard strategy for existing stock to achieve Net Zero Carbon by 2040
- Secure a solution for stock condition surveys with review of available innovative technologies to enhance understanding of our existing stock and to develop the understanding of the retrofit process
- Rollout contractor portal to work in conjunction with our existing systems

Section 3 – Community Benefit Summary

During the reporting period Loreburn awarded two contracts to (of which both were the same contractor) above the £4million threshold for ensuring community benefit clauses are inserted.

Both contracts awarded over £4m were for Development of new build sites awarded to Ashleigh (Scotland) and were a “call off” from the Scotland Excel Framework. The Scotland Excel Framework has inbuilt community benefit clauses whereby the value of the contract determines the minimum number of community benefit points to achieve with these being focused on generating employment and training opportunities. In addition to this Ashleigh also work with a local school and have given a Health & Safety presentation and asked pupils to participate in a mini design competition resulting in a small prize and they continue to advertise support for a local football club.

The two contracts (‘lots’) awarded to Caledonian Cleaning include an agreement to provide benefits per ‘lot’ as below to help improve the local community / environment:

- To give employment to one new employee, per Lot, from the local area, with no prior experience.
- To give 4 days of an operative’s time, in each lot, to assist with a project which will add value to the community and/or environment. The project will be agreed with Loreburn’s Neighbourhood Officers.
- Assist with establishing one project which will reduce negative environmental impact and ensure a positive impact on energy consumption or waste.

The Door Entry System contract awarded to Martec included several community benefit clauses as per the below:

- Employ a new entrant - The duration of employment must be a minimum of 12 weeks. No relevant experience prior to employment is required. The new entrant is from target key priority group and is eligible for employability support.
- Reduce negative environment impact - Initiatives or projects that will positively impact energy consumption, usage, production, or waste.
- Financial Support for a Community Project - Projects linked to core aspect of HA's communities or supported projects
- Innovative project linked to community and customer - Project or initiative that will add value to community or environment.

As per Loreburn’s Procurement policy and procedure all regulated procurement activity now requires the inclusion of community benefit clauses.

Section 4 – Supported Businesses Summary

The Act includes a new classification for supported business: “an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons and where at least 30% of the employees of the economic operator are disabled or disadvantaged”.

Our regulated contract activity for the last financial year did not provide us with an opportunity to utilise the goods or services from supported businesses.

We do however make use of supported businesses for our non-regulated procurement activities.

Section 5 – Future Regulated Procurements Summary

The Act States that all estimated regulated procurement over the next two years should be disclosed by the Association. Appendix 2 provides this summary.

There is 3 potential extensions to current contracts, 8 known relets (replacement tender process) and 9 new tender due over the next two years.

This represents a significant workload for the Finance and Procurement Team, Asset Management Team and Development team.

Section 6 – Summary

Loreburn Housing Association recognises historically, that in terms of procurement, we haven't always achieved the best possible outcomes for our customers. However, the focus is now on improving the quality of the Associations outputs, ensuring our procurement supports the sustainable procurement aims and deriving community benefits that specifically will benefit the people we serve. We are seeking to ensure that our contractor management processes are robust and that we hold our suppliers to account for poor performance.

Customers will continue be consulted, where applicable, on the tendering outcomes to ensure we are procuring the goods and services they expect. This is written into our procurement policy.

Once the tender is advertised, supporting suppliers to engage with the Association through the legislative is key to the success of our procurement programme.

This includes taking time at the outset of each tender to consider not just the financial impact but also the added value that the contract can deliver, including the economic, social and environmental benefits. Again, this is reflected in our revised policy.

The organisations procurement strategy reflects 5 key ambitions with action plans supporting delivery of these aims.

Appendix 1

Regulated Procurement Register – FY 2020/21

Date of Award	Contractor	Works/Good/Services	Estimated Value (including VAT where applicable)	Start Date	End Date
07/02/2017	Arthur J Gallager	Insurance - 3 Years + 2 Optional	300,000	29/05/2017	28/05/2022
09/05/2017	Aitken Turnbull Architects Limited/Asher Associates Limited/McGowan Miller	Principal Designer - New Build House	750,000	01/01/2017	01/01/2021
21/08/2017	Robert Potter & Partners/Asher Associates Limited/MR Rodgers	Principal Designer - New Build House	1,000,000	01/01/2017	01/01/2021
22/09/2017	Magnet	Kitchen Supplies	360,000	05/12/2017	07/04/2021
01/02/2018	Girbau UK	Laundry Equipment	92,707	12/02/2018	11/02/2024
01/03/2019	OPUS Energy	Landlord Gas and Electrical Supply	209,124	01/04/2020	31/03/2023
05/03/2018	Bell Group UK Ltd	Cyclical Painting Programme	201,000	05/03/2018	04/03/2023
13/12/2018	Stewart & Shields	Development - Garrick Site	5,317,640	20/01/2019	15/03/2020
28/03/2019	BTO Solicitors	Legal Services Framework Agreement 2019-2022 (Lot 1-3) - 3 years + 1 optional	105,000	01/04/2019	31/03/2022
28/03/2019	TC Young Solicitors	Legal Services Framework Agreement 2019-2022 (Lot 4&5) - 3 years + 1 optional	75,000	01/04/2019	31/03/2022
09/08/2019	Cleartech Water Solutions Ltd	Water Quality - 2 years + 1 optional	50,000	01/09/2019	01/09/2022
16/09/2019	Sidey	Windows & Doors	300,000	20/08/2019	31/03/2022
11/10/2019	idverde	Grounds Maintenance 2019-2024 - Dumfriesshire Region - 3 years + 1 optional	370,000	04/11/2019	03/11/2022
28/11/2019	idverde	Grounds Maintenance 2019-2024 - Galloway Region - 3 years + 1 optional	405,000	20/11/2019	28/11/2022
18/11/2019	Stevie Wight	Cyclical Maintenance & Repairs (Fire Alarm, Emergency Lighting, CCTV, Warden Call & Door Entry Systems) - 1 year + 2 optional	110,500	02/12/2019	01/12/2022
11/03/2020	Ashleigh (Scotland) Ltd	Development - Heathhall Phase 1A	5,258,206	16/03/2020	01/02/2021
25/01/2020	Wm Waugh & Sons (Builders) Ltd	Fire Risk Assessment Works Arising - Batch 1	72,006	29/05/2020	31/01/2020
01/05/2020	Nithsdale Plumbing & Heating	Gas Servicing - 1 year + 1 optional	80,325	01/05/2020	30/04/2022
30/04/2020	Dumfries Electrical Services	EICR (1+1)	160,337	10/08/2020	10/08/2022
30/04/2020	McGill Scotland Ltd	Installation of Smoke, Heat & Co Alarms (1+1)	471,966	17/08/2020	17/08/2021
20/10/2020	Ashleigh (Scotland) Ltd	Development - Heathhall Phase 1B	10,021,409	26/10/2020	11/04/2022
25/11/2020	Caledonia Cleaning Services	Communal Cleaning - Lot 1 (2.5years + 1 + 1)	182,202	11/01/2021	11/06/2023
30/10/2020	Caledonia Cleaning Services	Communal Cleaning - Lot 2 (2.5years + 1 + 1)	135,281	01/12/2020	01/05/2023
08/12/2020	Ashleigh (Scotland) Ltd	Development - Longmeadow	4,836,078	18/01/2021	18/04/2022
01/02/2021	Martec Engineering Group	Door Entry system Replacements	251,068	17/02/2021	17/08/2025
01/04/2021	L&D Plumbing Services	Aids & Adaptations 2 + 1 (Cost dependant on Government Grant - Estimated at £220k per year)	440,000	01/04/2021	01/04/2023
19/04/2021	Ashleigh (Scotland) Ltd	LHA Passivhaus Framework (3 years + 1 year optional)	40,000,000	19/04/2021	19/04/2024

Appendix 2

Future Regulated Procurement Summary 2021/22 & 2022/23

<u>Contract Title</u>	<u>Contract Description</u>	<u>New, Ext or Re-Let</u>	<u>Estimated Value</u>	<u>Est Publication Date</u>	<u>Est Start Date</u>	<u>Contract Duration</u>
Insurance	Property insurance and other insurance cover	Re-let	£945,000	Oct-21	May-22	36 Months
Legal Tender	Legal Services Framework Agreement	Ext	£60,000	Extension	Apr-22	12 Months
Cyclical Painting	Cyclical Painting Programme	Re-let	£240,000	Aug-22	Mar-23	24 Months
Water Quality	Water Quality / Legionella Inspections	Re-let	£50,000	Mar-22	Sep-22	24 Months
Grounds Maintenance	Grounds Maintenance - Dumfriesshire & Galloway Regions	Ext	£258,333	Extension	Sep-22	12 Months
Cyclical Repairs	Fire alarm systems, Emergency lighting, CCTV systems, Warden call systems & Door entry systems repairs.	Re-let	£450,000	Apr-22	Dec-22	48 Months
Gas Servicing	Annual Gas Servicing & Safety Checks	Re-let	£550,000	Jan-22	May-22	60 Months
EICR	Electrical Inspection Condition Report Programme	Re-let	£133,615	Jan-22	Aug-22	24 Months
Detectors	Installation of Smoke, Heat & Co Alarms	Ext	£470,000	Extension	Aug-21	12 Months
Lift	Gifhorn House Lift Replacement	New	£70,000	Apr-21	Jan-22	3 Months
Lift	Swans Vennel Lift Replacement	New	£60,000	Feb-22	Sep-22	3 Months
Patient Equipment	Annual Equipment inspections and surveys	New	£57,228	Apr-21	Aug-21	24 Months
FRA Works	Fire Risk Assessment Works Arising - Batch 2	New	200,000	Nov-21	Jan-21	48 Months
Windows & Doors	Supply & fit framework	Re-let	£250,000	Dec-21	Apr-22	24 Months
Kitchens	Supply & fit framework	New	£1,000,000	Jan-21	Apr-22	12 Months
Gas Boilers	Replacement of 61 Gas Boilers across 2 schemes	New	£190,300	PFH	Sep-21	3 Months
Heating Systems	Installation of 32 Gas central Heating System across 2 schemes	New	£230,000	PFH	Sep-21	3 Months
Stock Condition Surveys	Property stock condition surveys focusing on SHQS and EESSH requirements and criteria	New	£85,000	Sep-21	Nov-21	12 Months
Prinicpal Designer, Architect, Quantity Surveyor and Engineering Services	Consultancy for New Build Developments	Re-let	£2,000,000	Aug-21	Nov-21	36 Months
Design & Build Development	Design & Build at Hayleys Yard, Dumfries	New	£3,325,000	Oct-21	Apr-22	12 Months