

Approved by Management Committee

Date Issued	August 2024
Department	Corporate
Title	Annual Procurement Report 2023/24
Objective	To give an overview of the Associations procurement activity for the 2023/24 financial year and progress against the Procurement & Value for Money Strategy.
Responsible	Director of Finance & Corporate Services
Next Review Date	August 2025

1.0 Introduction

- 1.1. The purpose of this report is to enable East Lothian Housing Association (ELHA) 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.
- 1.2. 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 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 strategy.
- 1.3. Regulated procurement is any procurement for public goods/supplies or services with a value of over £50,000 or any procurement for works with a value of over £2million.
- 1.4. The guidance and template issued by the Scottish Government to report on our performance has been used.
- 1.5. This report covers the 2023/24 financial year, which ended on the 31 March 2024.
- 1.6. 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
- 1.7. Between 1 April 2023 and 31 March 2024, there were no regulated procurements contracts were completed.

2.0 Summary of Regulated Procurements Completed

- 2.1. Compliant procurement is fundamental to ELHA'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.
- 2.2. In total there are three live contracts (as at August 2024) listed in the Associations regulated contract register; none of these contracts were awarded in 2023/24.
- 2.3. The full list of regulated procurement contracts used by the Association throughout 2023/24 can be found in **Appendix 1**. These are the contracts that have been issued prior to 2023/24 financial year.
- 2.4. The Regulated Contract Register is updated as and when required on Public Contracts Scotland and publicised on the Association's website under the guide to information section below;

<https://www.elha.com/page/guide-to-information>

3.0 Review of Regulated Procurement Compliance

- 3.1. ELHA believe that making the most of every pound of our money we spend is vital to ensure we can maintain affordable rents. That is why we aim, where possible, to self-deliver goods and services within ELHA.. However, we recognise this is not always possible and we will be required to procure goods and services. The Procurement Strategy supports the Association by delivering best-in-class procurement outcomes which are customer focused whilst achieving value for money, innovation and delivering sustainable social value.
- 3.2. A Procurement & Value for Money Strategy was created for the first time in August 2023, reflecting the Associations increase in regulated spend due to its ongoing development programme.
- 3.3. The strategy included four ambitions to help us define progress towards our aims, being:
1. All spend that can be positively influenced by procurement activity has a corresponding contract.
 2. All procurement activity complies with statutory and regulatory requirements and is supported by a detailed technical specification of our purchasing requirements.

3. All relevant contracts are arranged to include sustainable procurement requirements.
4. All staff trained to be able to carry out a regulated procurement activity.
- 3.4. In November 2022, the Scottish Government released an update to the Affordable Housing Supply Programme (AHSP) conditions of receiving grants, requiring developing RSLs to participate in a procurement improvement programme every two years and a programme which assess value for money.
- 3.5. The value for money element for grant funding is assessed via tenant satisfaction surveys and is not covered in this report.
- 3.6. The Continuous Improvement Programme for Procurement (CIPP) delivered by Scotland Excel meets the Scottish Governments requirements for the procurement improvement programme. The Association undertook this in October 20223, with a final report issued in June 2024. This assessment considered the current and a revised procurement policy and procedure. The revised policy and procedure were included as part of the strategy for 2023/24 and, as this review of these documents has recently been concluded, the actions in the procurement strategy around policy development and staff training and development on this were not achieved.
- 3.7. Overall, the CIPP found that the Association had really embraced the need for good procurement and highlighted examples of robust procurement practices across the whole association during the assessment. The best examples included comprehensive policies and procedures, KPI's, collaboration and career development.
- 3.8. Despite the CIPP delaying some Procurement Strategy actions, there was progression and improvements achieved throughout 2023/24 against the four stated ambitions, as noted below:
 1. Monthly supplier spend reports for the Association and created including all areas of spend. Where spend is >£2k per annum, the person responsible for that spend/contract is identified and updates contract details.

All contract documents were agreed to be stored in the Contracts, Licenses and Agreements folder across the Group. All regulated contracts were in this folder.

A contract management policy was created and approved by the Management Committee in May 2024 and is now being rolled out.

As this new policy has recently been approved, the action to ensure supplier meetings are being held and contract KPIs being monitored was not completed and rolled over into 2024/25.

A tendering timetable was put in place – see **Appendix 2**.
 2. A review of all existing contracts was undertaken to ensure compliance with statutory and regulatory compliance.

The Associations main spend is with R3 Repairs. This is an ongoing contract and was put in place under the Teckal rules, which allowed the Association to direct award this contract to its subsidiary.

The other main area of spend is around new build development. Most new build spend is for s75, off the shelf, home purchases. Contracts are put in place with the Developer for these homes, but these contracts are not currently published on Public Contracts Scotland. This was discussed with Scotland Excel as part of the CIPP process from reading the procurement regulations and council planning guidance, they cannot find any reference for organisations placing requirements on PCS and I have found no such awards on PCS either. Therefore it was deemed compliance has been met.

There was one contractor spend that could be considered a regulated contract going forward, in relation to gas servicing and this will be monitored as this contract is discussed with the supplier.

There are two supplier contracts that are currently just below the regulated thresholds in terms of annual spend, and these will be monitored going forward.

Due to the current policy and revised policy been reviewed as part of the CIPP the strategy action for training to be delivered to staff involved in purchasing goods and services to ensure understanding and compliance with revised Procurement policy and procedure was not achieved and rolled into the 2024/25 plan.

3. Due to the current policy and revised policy being reviewed as part of the CIPP, the strategy action for revising the procurement policy to include requirements to create a procurement project plan for regulated procurement activities, that incorporates the sustainable procurement requirements, was not achieved. This is rolled into the 2024/25 plan.

The creation of a new field against supplier records to help identify if the supplier was an SME or Third sector org was partially completed. There is no record space in the Housing Management software to store this information and it is being explored if this can be included as a field in an excel report on supplier spend that is currently run. This is rolled into the 2024/25 plan.

4. The creation of a competency matrix for roles within the organisation was completed and reviewed by Scotland Excel as part of the CIPP. It was highlighted that this approach was a great piece of work for an Association of this size.

As the review of the matrix was recently completed as part of the CIPP, the training plan to bring staff to this level for each post was not completed and rolled into the 2024/25 plan.

- 3.9. To assess progression against the Procurement Strategy, KPIs were created as per the table below. Actual performance against these in 2023/24 is noted in the table.

Performance Indicator Name	Target	Actual
Percentage of ELHA expenditure covered by contracts	91%	92%
Number of ELHA collaborative opportunities explored as a percentage of all regulated contracts tendered	100%	0%
Regulated contracted ELHA suppliers paying the living wage	100%	100%

3.10. The number of ELHA collaborative opportunities explored as a percentage of all regulated contracts tendered was not met as no contracts were tendered in the year.

3.11. The CIPP found that the Association had opportunities to improve in the following areas:

- Managing contracts and suppliers – the function of contract management should be segmented from the contract register based on value and risk
- Climate and circular economy – to accommodate new KPIs that can be considered down the line to fit inside the process that already exists
- Measuring performance – lessons learnt and whole life cost cycles should be considered in every tender and be part of the procurement process
- Consultants – place less reliance on consultants to run tender processes

3.12. The recommendations from the CIPP have fed into the 2024/25 Procurement Strategy action plan and others will feed into future plans. Whilst the ambitions for 2024/25 strategy will remain the same, with the key priorities for the year for each ambition will be:

1. Continue to review supplier spends and the contracts in place for these to ensure we have responsible individual managing the contract where spend >£2k. The full contracts database to be monitored monthly to ensure supplier meetings are being held, in line with the contracts management policy, and contract KPI's being monitored.
2. Continue to review supplier spends and ensure they comply with statutory and regulatory compliance. Training to be delivered to staff involved in purchasing goods and services to ensure they selected the correct route to market.
3. Embed the field into a supplier spend that identifies SME or Third Sector organisations. Where spend is >£10k with each supplier we will capture this information.
4. Staff to be trained on revised procurement policy and procedure in line with the requirements of their role. Each role profile to be revised to include section on procurement responsibilities.

- 3.13. There were no known regulated procurements that did not comply with the Associations strategy.

4.0 Community Benefit Summary

- 4.1. There are no community benefit clauses currently inserted into ELHA's regulated contracts. The value of these contracts does not require ELHA to insert this clause into these contracts.

5.0 Supported Businesses Summary

- 5.1. 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".
- 5.2. 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.
- 5.3. We do however make use of supported businesses for our non-regulated procurement activities.

6.0 Future Regulated Procurements Summary

- 6.1. The Act States that all estimated regulated procurement over the next two years should be disclosed by the Association. **Appendix 2** provides this summary and there are four contracts due to be tendered.
- 6.2. There are two potential extensions to current contracts and two known relets (replacement tender process) due over the next two years.

7.0 Summary

- 7.1. East Lothian Housing Association is measuring against the four ambitions defined in our strategy to help us achieve our procurement aims. Progress was made against all of the actions within the action plan although some actions required to be rolled over into 2024/25. This was because the Association undertook the Continuous Improvement Programme for Procurement (CIPP). The outcome of this review was extremely positive with good procurement practices highlighted as well as robust policies and procedures. Recommendations from the review are being taken forward for future years action plans. The KPI's set to measure progression against the strategy were achieved in the year.
- 7.2. Customers will continue be consulted, where applicable, on the tendering outcomes to ensure we are procuring the goods and services they expect.

- 7.3. Once a tender is advertised, supporting suppliers to engage with the Association through the legislation 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. This is reflected in our strategy.

Appendix 1 – Regulated Procurement Register – 2023/24

Date of Award	Contractor	Works / Goods / Services	Estimated Value (including VAT where applicable)	Start Date	End Date
11/09/2018	Waterstons	Managed IT Service (4 + 3 years)	£480,000	11/09/2018	11/09/2025
24/02/2023	Marsh Ltd	Insurance Services (3 + 2 years)	£934,040	31/03/2023	31/03/2026
31/08/2022	Alexander Sloan	External Audit Services (3 + 2 years)	£125,000	30/09/2022	30/09/2025

Appendix 2 – Future Regulated Procurement Summary 2024/25 & 2025/26

Contract Title	Contract Description	New, Ext or Re-Let	Estimated Value	Est Publication Date	Est Start Date	Contract Duration
Managed IT Service	The provision of Managed IT Services and related infrastructure hardware and equipment.	Re-Let	£750,000	Apr-25	Sep-25	5 Years + 2 Years
Insurance Services	The provision of non-life insurance services.	Ext	£400,000	Jan-26	Mar-26	2 Years
External Audit Services	External Audit Services.	Ext	£50,000	Jul-25	Sep-25	2 Years