Title: Procurement Strategy

Business Function: All Functions across Sanctuary Group

Author(s): Group Procurement

Other Contributors: Legal Services

Authorised by: Sanctuary Scotland Board
Chief Financial Officer
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General Information

1. **Objective of this procedure**

1.1 This strategy document is the Sanctuary Group’s response to the requirements outlined in section 15.5 of the Procurement Reform (Scotland) Act 2014 (herein after referred to as the Act). Sanctuary Group includes Sanctuary Housing Association and all its subsidiaries including Sanctuary Scotland Housing Association Limited. The Act requires Sanctuary Scotland Housing Association to set out how it intends to ensure value for money through its procurement activity across its operations and contribute to its broader aims and objectives by publishing a procurement strategy, and reporting performance against the strategy in an annual report.

1.2 Sanctuary Group has adopted this Procurement Strategy across all of its operations across Scotland and England.

2. **Legislative/Regulatory context**

2.1 Procurement Reform (Scotland) Act 2014 and Public Contract (Scotland) Regulations 2015.

3. **Responsibilities for implementation**

3.1 Responsibility for implementation and publication of this strategy is with Group Procurement.

4. **What’s new – What’s different?**

4.1 This strategy is new.

5. **Definitions**

5.1 The following definitions aim to support the user’s understanding of this strategy.

<table>
<thead>
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<th>Term</th>
<th>Definition</th>
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<tr>
<td>MEAT</td>
<td>Most Economically Advantageous Tender. A process whereby contracts are awarded on a combination of price and qualitative criteria.</td>
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<td>PAS 91</td>
<td>Publicly Available Specification (PAS) is the standard template for procurement questionnaires and sets out questions on health and safety, quality management, environmental and employment law practice.</td>
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<tr>
<td>Regulated Contract</td>
<td>A public contract over the contract threshold (£50,000 for public contract, £2,000,000 for a works contract for Scotland)</td>
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<tr>
<td>Regulated Procurement</td>
<td>The procedure adopted in relation to procuring and awarding a Regulated Contract, i.e. seeking of offers, selection of suppliers, and awarding a contract.</td>
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<tr>
<td>SME</td>
<td>Small and Medium sized enterprise.</td>
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Detailed Strategy

1. Background

1.1 As a contracting authority for the purposes of the Public Contracts Regulations (the “Regulations”) operating in both Scotland and England, Sanctuary Group has adopted a robust and transparent approach towards procurement in order to comply with the over-arching legislative frameworks, notably the Regulations, for both England and Scotland. Sanctuary Group has processes in place to ensure that all procurement delivers value for money, carried out in such a way that demonstrates fair and equal treatment of bidders, and is transparent and proportionate.

1.2 Sanctuary Group publish details of its procurement standards and processes, and the outcome of its activity in the following documents:

- Contractors guide to working with Sanctuary
- Sanctuary Group Value Report 2015/16
- Sanctuary Group Annual Report 2015/16
- Sanctuary Scotland Annual Report 2015/16
- Sanctuary Group Business Plan 2015 – 18

The above documents can be found by accessing the following link:

https://www.sanctuary-group.co.uk/publications

In addition to these documents, Sanctuary has a number of internal policies and procedures that address procurement practices and principles that provide a framework for officer behaviour, accountability and probity across all financial activity. Internal procedures that govern regulated procurement are:

- Procurement – Group Procedure
- Procurement – Group Policy
- Construction and Major Works Procurement – Group Procedure

These procedures sit within the Group’s approved suite of policy and procedures and are available to all staff via the intranet.

The Sanctuary Group has a centralised Procurement Team, whose function it is to:

- Put in place Group-wide contracts that are fit for purpose across all business and regions
- Deliver maximum value for money
- Maintain and promote fair and equitable practices that are consistent with the vision and values of the organisation
- Contribute towards improved and efficient ways of working
- Ensure that arrangements in place are underpinned by appropriate terms and conditions that protect the Group and deliver desired outcomes
• Co-ordinate all procurement activity to ensure the requirements of this strategy are delivered
• Maintain Group Procedures (as above).
2. **Detailed Strategy**

2.1 *How does Sanctuary’s regulated procurement contribute to the carrying out of its functions and achievement of its purposes?*

All procurement undertaken within Sanctuary contributes to the Group’s key functions and purposes. Ensuring value for money is a key component of Sanctuary Group’s mission:

“To remain the market leader in the provision of high quality housing, nursing and residential care, and community services. Through careful stewardship of resources, we will maximise the benefits of our ethically-based operations providing good quality and value to our customers and stakeholders”

The mission goes on to explore how value is added to the organisation, in terms of:

- Service value, tracked in our Annual Report to Tenants and Value for Money Statement
- Economic Value, tracked in our Annual Accounts and Value for Money Statement
- Social and environmental value, tracked in our Social Value Report.

The Group’s key priorities for delivering value are:

- Developing improved and more efficient ways of working
- Investing in technology that supports business transformation
- Building homes for people to own and for those in need
- Upholding uncompromisingly high standards of governance and risk management
- Listening to our customers and investing in our communities
- Supporting struggling businesses and assets

Please see Appendix A.

How Sanctuary procures it works, goods and services is therefore key to meeting these objectives, as it must deliver value for money to the organisation, contribute social and economical value, and be carried out with high standards of governance.

All procurement is carried out in accordance with the Group Procedure for Procurement which covers all activity across the Group. Sanctuary ensures that all procurement is carried out in accordance with legislative and Group requirements but with fundamental aim to selecting the best quality goods, services and works at the best price possible. Key principles include:

- Product/service concept – is buying the only option?
- Consulting with internal and external stakeholders to procure what is right for the Group
- Principles for accessing existing supplier agreements and contracts, and utilising Sanctuary’s online catalogue ordering and accounting system
• Where no contract or agreement is in place, the detailed steps that need to be taken to procure, including formal officer delegations as to who can procure at what value

• Effective contract management to ensure that the Group continues to receive quality and value throughout the life of the contract.

The Construction and Major Works Procedure covers the Group’s reinvestment and development activities. Officers are directed to Group-wide framework contracts or to utilise the Group’s partnership with Constructionline to source suitably accredited and competent contractors for low value works, and a framework for sourcing tenders and quotations as appropriate.

2.2 How does Sanctuary’s regulated procurement deliver value for money?

All procurement undertaken follows a regulated process that ensures that a full analysis of the business requirements and an analysis of the market is undertaken. With historical and current cost data, the Group can then be confident that:

• We are procuring what the Group requires
• We are aware of what the market can provide
• We have an awareness of what the goods and services cost
• We adopt a suitable and appropriate procurement route to maximise value for money and cost certainty for the duration of the contract

Group Procedures require that full consideration is given to the evaluation methodology adopted on each regulated procurement exercise, and that they are applied consistently to all tenderers during the procurement process. Public Contracts (Scotland) Regulations 2015 require regulated contracts in Scotland to be evaluated on the basis of ‘most economically advantageous tender’ (MEAT) whereby contracts may not be awarded on the basis of lowest price only, but Sanctuary Group has extended this to ensure that all regulated procurement across the Group adopts MEAT principles, a requirement embedded within Group procedures. Although the composition of MEAT will differ from contract to contract, this approach ensures that consideration is given to:

• Price
• Quality of product and/or service including performance
• Whole-life costing principles
• Contributions to community benefits and social value
• Sustainability and innovation

Further details regarding the Group’s approach to value for money and outcomes achieved can be found in the Value Report:

https://www.sanctuary-group.co.uk/download.cfm?doc=docm93ijjm4n12309.pdf&ver=24461

2.3 How will Sanctuary treat economic operators equally and without discrimination and act in a transparent and proportionate manner?
Sanctuary adopts fully compliant processes for all regulated procurement. This means that Sanctuary will place required notices and advertisements in calls for competition. Throughout a procurement process, Sanctuary will ensure that:

- Early market engagement is undertaken where appropriate
- The tender and evaluation process is fully outlined and is fair and equal
- Clear and precise language is used to ensure a common understanding of requirements
- The structure of the contract is proportionate (i.e. divided into lots) and does not unduly exclude participation
- Exclusion grounds are clearly detailed
- Communication channels are maintained during the procurement process to effectively deal with queries and clarifications
- Barriers to participation are minimised in terms of access and, where these are necessary, are proportionate to the pursued outcome
- Internal Group procedures which promote fair and equal treatment and transparency during the process are followed

Sanctuary utilises Due North e-procurement portal to administer regulated procurement processes. This ensures that each exercise is properly structured, there is full transparency and probity in the process and that each tendering organisation has access to the same information at the same time both in terms of the release of tender documentation, and responses to queries and clarifications. At the point of tender submission, each respondent is assured that their return has been submitted successfully and that Sanctuary can only access and evaluate submissions once a pre-determined deadline has passed, therefore removing any concern over unfair or discriminatory treatment of tender submissions.

Procedures require the consistent application of the evaluation criteria, and multiple stakeholders are involved in the evaluation process to ensure fairness and consistency. Award is only undertaken following a hierarchical sign off process, whereby approval can only be gained to award contracts once senior managers and stakeholders have satisfied themselves that due process has been followed.

Sanctuary fully recognises that adopting this approach results in fairer and greater competition during a process, encourage innovation by removing barriers to participation, and ultimately achieve the best possible MEAT outcome.

2.4 How will Sanctuary demonstrate a robust and achievable approach to sustainable procurement, and deliver opportunities and benefits to local communities?

Sanctuary recognises that each regulated procurement process is an opportunity to contribute towards improving the social, environmental and economic wellbeing of communities that are impacted by the operations of the Group. The Group will always consider what outcomes could be achieved through the procurement in question, and to what extent they are proportionate.
At the start of the process a review of the market will be undertaken including an assessment of sustainable criteria (social, economic and environmental) which is approved by the relevant stakeholders and informs the procurement process.

Sanctuary will consider the best way of packaging regulated procurement opportunities with the aim of making them attractive and accessible to SMEs and the wider supply chain, which we recognise as not only helping to deliver value for money but also investing more directly into the communities we serve.

Sanctuary Group fully understands its obligations to deliver community benefits through its procurement activities and these are documented in the Group’s Value Report 2015/16:
https://www.sanctuary-group.co.uk/download.cfm?doc=docm93jjjm4n12309.pdf&ver=24461

2.5 How will Sanctuary consult and engage with those affected by its procurement activities?

Sanctuary considers that stakeholders fall within the following categories:

- **Internal** – includes officers from within the business that will be affected by the procurement in question. These are identified at an early stage and feed into the scoping and planning, and will often contribute to writing the specification and defining the contract deliverables.
- **External** – suppliers/contractors – Sanctuary is proactive in undertaking pre-tender market engagement where appropriate.
- **Tenants/Residents** – Sanctuary has developed an effective reporting process with established resident review panels which meet the requirements of the Scottish Housing Regulator’s Regulatory Framework. Such consultation complements the Scrutiny Panels that exist in England, and active Resident Involvement Forums who are engaged where appropriate in specific procurement activity.

2.6 How will Sanctuary promote the safe working practices of suppliers, contractors and sub-contractors?

As part of its regulated procurement procedures for construction contracts, Sanctuary require Constructionline and Safety Standards in Procurement (SSIP) accreditation, or for companies to demonstrate that they have equal or equivalent procedures in place to demonstrate a detailed and robust approach to Health and Safety. The Group’s standard tender questionnaires are PAS 91 compliant and therefore robustly challenge a company’s approach towards Health and Safety, and accepts an SSIP accreditation as meeting Construction (Design and Management) (CDM) regulations up to and including stage 2 PAS 91 compliance.

2.7 What steps does Sanctuary take to procure fairly and ethically traded goods and services and promote fair working practices and the living wage?

The Group takes a strong view on dealing with only those businesses that demonstrate fair and ethical practices, and this is reflected in the published
statement on the Group’s website concerning slavery, human trafficking and fair working practices (https://www.sanctuary-group.co.uk/). As part of the internal Procurement team’s strategy 2015-2018, there is a clear commitment to ‘limit any negative effect of our activities but bring changes and support initiatives that deliver a positive economic, social and environmental impact.’ As we undertake regulated procurement, ‘we will attempt to evaluate the major impacts on the environment and the communities around us and engage our suppliers in developing mutually sustainable developments’.

As part of this strategy, the internal procurement team has invested time in understanding its supplier base and the associated supply chains that are in place to support the Group’s activities and undertaken a risk profile where unfair and unethical practices might occur, and the steps we can take to avoid engaging with unethical suppliers and understand how we can influence the market to prevent such practices occurring. To support this approach, all members of the internal procurement team have undertaken Chartered Institute of Procurement and Supply ethical procurement training during 2016.

The Group acknowledges that its Development programme provides an opportunity to reinforce its stance on fair, ethical and sustainable procurement, and will be looking to maximise each of these objectives through sustainable specification and procurement practices.

2.8 **How does Sanctuary improve the health, wellbeing and education of communities and promote high standards of animal welfare through regulated procurement of food?**

The provision of food is not an area of significant activity and generally confined to the care part of the business. However, where food is bought, the following conditions are mandated:

- All products meet, as a minimum, EU standards for fresh produce;
- All suppliers are to be accredited to a minimum standard of Grade A/B and BRC, with others having Red Tractor, Marine Stewardship Council and Global GAP (Good Agricultural Processes) where applicable and appropriate.

2.9 **What steps does Sanctuary take to ensure that, where required, payments are made within 30 days?**

The Group’s standard conditions of purchase require that payments are made within 30 days subject to the goods or services having been received, and invoices are not disputed. The Group has invested significantly in its information systems infrastructure and back-office support to improve payment processes, which is included in the Group’s Value Report:

https://www.sanctuary-group.co.uk/download.cfm?doc=docm93jjjm4n12309.pdf&ver=24461

2.10 This strategy was approved by the Sanctuary Scotland Board of Management on 13th December 2016. The annual review of this strategy will be reported in the Sanctuary Scotland Annual Report 2017/18.
Our mission:

To remain a market leader in the provision of high quality housing, nursing and residential care, and community services. Through careful stewardship of resources, we will maximise the benefits of our ethically-based operations providing good quality and value to our customers and stakeholders.

Adding value in terms of:

- **Service value**
  Our intention is to deliver higher quality services by efficient and effective use of resources and lower cost.

- **Economic value**
  To ensure public money and the Group's assets are protected for the public good and that the Group continues to contribute meaningfully to the economy and the alleviation of poverty.

- **Social and environmental value**
  We aim to both improve the quality of life of people living in our communities and play an active role as a responsible corporate citizen.

We aim to deliver value to stakeholders in these ways:

- Develop improved and more efficient ways of working.
- Invest in technology that supports business transformation.
- Build homes for people to own and for those in need.
- Uphold uncompromisingly high standards of governance and risk management.
- Listen to our customers and invest in our communities.
- Support struggling businesses and assets.