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## **Procurement Strategy 2009 to 2011**

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### **1 Introduction**

- 1.1 The aim of this strategy is to build on Southway's existing strengths and good practice and provide a corporate framework for procurement activities. Good procurement is an essential part of delivering good quality and value for money services .
- 1.2 The strategy has been developed within the framework provided by the Southway Business Plan and has full regard for Financial Regulations and Standing Orders.
- 1.3 Southway Housing Trust spends a substantial sum each year on bought in goods, services and works. As a guide, an assessment of the paid invoices for all external suppliers and providers of goods and services, between November 2008 and November 2009, indicated that approximately £48M was charged. The range of services we procure span major improvement works totalling £25M a year to smaller procurements for the supply of office equipment and cleaning services.
- 1.3 The procurement strategy aims to support Southway's four core values, that we will:
- be warm, welcoming and accessible to every customer
  - provide excellent services
  - provide affordable, high-quality, secure homes
  - help to create a cleaner and greener environment
- 1.5 The strategy will influence the direction that officers take in the procurement and purchasing process to ensure that these core values are achieved and that best value is maintained and enhanced in the procurement and purchasing of all goods and services.

### **2 Purpose**

- 2.1 Procurement is the process of acquiring goods, works and services. The process spans the whole cycle from identification of need, through to the end of a contract, or the end of the useful life of an asset. It involves option appraisal and the critical decision on whether to provide services from in house resources or to buy the services from an external provider.
- 2.2 All goods and services procured should offer the best value and be fit for purpose and where relevant best meet the needs of our customers and communities.
- 2.3 The Procurement Strategy has the following strategic aims:
- Obtaining Value for Money
  - Ensuring Best Value
  - Ensuring procurement methods meet the outcomes required by customers
  - Adopting a life cycle approach to assets, specifications, guarantees and contracts
  - Contributing to meeting the longer term needs of customers, including diversity issues such as age and ethnicity
  - Supporting local labour and local suppliers when appropriate
  - Ensuring that procurement supports environmental, energy and sustainability issues
  - Ensuring compliance with all legislation, regulatory requirements and good practice

### **3. Regulatory Requirements, Guidance and Legislation**

- 3.1 The Audit Commission's Housing National Report, February 2008 – "Better Buys – Improving Housing Association Procurement Practice" identified gaps in procurement skills and recommended steps to fill those gaps, either by building in-house capacity or seeking external expertise.
- 3.2 This report followed widespread recognition that a major overhaul of procurement practices was needed to ensure financial efficiencies and best value in the public sector. An Independent Review of Public Service Efficiency" (July 2004) had already identified key workstreams such as Procurement, Respect for People, Client Leadership and Partnership working for review and targeted action.
- 3.3 The Audit Commission's Value for Money Key Line of Enquiry 32 expects organisations to have:
- A robust modern Procurement Strategy to apply best practice to achieve Value for Money in priority areas, including working with partners
  - Modern procurement methods and partnerships applied that result in demonstrable Value for Money and delivering outcomes that meet the needs of users and the community
  - Compare service costs with others
  - Accurate information on costs and services collected and used to decide priorities and strategically manage resources
  - Effective performance management arrangements in place to drive and deliver improved Value for Money
- 3.4 All procurement must follow the European Union Procurement Directive 2004/18/EC and UK tendering regulations to ensure the following:
- Fair Trade across the European and British Union
  - Value for money through open competition
  - Non-discrimination and equal treatment
  - Transparency
- 3.5 In addition all procurement should be proportionate (reflecting the size of the contract or services being procured).

### **4 Process, Governance and Probity**

- 4.1 Procurement policies and processes will be efficient and effective and provide appropriate control, ensuring compliance with Standing Orders and Financial Regulations, Government Legislation, Regulatory Guidance and Regulations and European Union directives. These will be enforced and monitored to deter fraud, theft, corruption or mismanagement.
- 4.2 The Southway Procurement Register will be used for all procurements costing more than £20,000 to ensure that an auditable trail of information is in place.
- 4.3 When it is determined that goods and services are to be sourced externally, these will be acquired as the result of appropriate competition unless there are sound mitigating reasons to not do so.

- 4.4 All services delivered in house will be subject to assessment and review through service improvement, best value and workforce reviews. Services will be regularly benchmarked against external service providers and other RSLs to ensure quality and continuous improvement.
- 4.5 All reviews will assess the relevance of the services provided, the optimum resources required and the best future option for service delivery. Where relevant market assessments and option appraisals will be carried out. The aim will be to assess the benefits of alternative arrangements against those already provided.

## **PROCUREMENT PRINCIPLES**

### **5 Best Value**

- 5.1 Best Value will be achieved through the sourcing and onward delivery of the right products and services, at the right time, to the right quality and for the right price. Officers should identify and collect information on market trends before considering different procurement options and ensure that performance monitoring and benchmarking is undertaken as part of the procurement cycle.
- 5.2 All procurement will balance the quality required against the cost base. For the majority of procurements the following ratio is recommended:

**QUALITY 60%**

**COST 40%**

In certain circumstances it may be appropriate to vary this ratio.

- 5.3 Quality can be defined in the following ways:
- Product Quality - efficiency levels, quality in use, ease of use etc
  - Product Durability, including the anticipated life of the product and any guarantees or warranties
  - Future benefits to customers
  - Choice and options available within product ranges
  - Evidenced experience of good service delivery
  - Added value benefits that are offered – employment and training, community initiatives, local supply chain agreements
  - Commitment to working in partnership to deliver definable benefits and shared best practice
  - Potential for innovative funding
- 5.4 Cost should not be defined only as the initial cost of the service or goods being delivered. Any procurement should also assess:
- Ongoing maintenance costs
  - Staff resource implications in managing the contract/supply or services
  - Annual Licenses
  - Life Cycle of the product – a more expensive outlay may provide a longer term benefit
  - Length the service is required

5.5 In the current economic climate the majority of services can be procured at a competitive price. Quality is therefore an essential part of the procurement process to ensure that the risk of a poor service, increased outlay through supplier claims, and the risk of a poorer service are mitigated.

5.6 Exceptions to this Quality/Cost ratio could occur in the following circumstances:

- Services affecting leaseholders – with the exception of Framework contracts, leaseholders have the right to be offered the lowest priced works.
- A service being procured may be so important to the customer and the quality of work or supply so important that the weighting of quality against cost is increased.
- The options to vary or improve the quality are limited due to the nature of the service so that the cost weighting is increased

A thorough assessment of the quality and cost requirements is therefore needed for each procurement prior to undertaking an assessment.

In circumstances where the quality weighting is reduced a robust tendering process is required to ensure that only quality service providers are available to provide the works. The use of a pre tender qualification questionnaire (PQQ) should therefore be used. This can be used to assess qualitative benefits prior to submitting full tender invites.

## **6 Value for Money**

6.1 Value for money and added value will be achieved through competitive and effective procurement procedures.

6.2 Value design and engineering will be built into procurement assessments as will output/outcome and objective evaluations.

6.3 Ongoing and skilful management of any goods or services procurement during the life of the procurement is necessary to ensure that Value for Money is continuous.

## **7 Partnership Working, Frameworks and Consortia**

7.1 Southway will consider and evaluate all models available for collaborative procurement arrangements such as partnering frameworks, consortia and shared services with other RSLs, where this will create longer term efficiencies and additional qualitative benefits.

7.2 We will seek to work with others in order to widen the scope of our experience and skill, mitigate procurement costs, maximise purchasing power and harness economies of scale.

7.2 Southway will consider and evaluate models of collaboration for achieving greater efficiency, including shared services in groups and consortia where there are proven models available.

7.3 The benefits of collaborative procurement are:

- Greater efficiencies through bulk buying power
- Longer term benefits – guarantees, warranties and contract support due to wider and longer term buying commitments

- Support for wider qualitative benefits - shared training/employment opportunities and other community benefits
- Continuous improvement through sharing of research, information and practices
- Guaranteed savings for long term commitment – (e.g. savings of £2M on internal works in 2009/10)
- Pain/gain share benefits and incentives
- Guaranteed maximum price
- Larger contracts for economies of scale

## **8 Customer Involvement**

- 8.1 Southway will ensure that residents are involved in, and have appropriate opportunities to influence a relevant procurement process, including the types of products that are chosen, the level of choice available and the ancillary community benefits that are desired.
- 8.2 Where appropriate tenants and other stakeholders will be invited to take part in the development of tender specifications, assessments and interviews. Choice, wherever practical, will be maximised for customers.
- 8.3 Where a procurement decision would affect staff, their views should be considered.

## **9 Environment, Energy and Sustainability**

- 9.1 Southway Housing Trust will carry out its procurement activities taking into account environmental and sustainability issues. We will:
- Comply with relevant environmental legislation and Southway's Environmental and Energy Efficiency Policy.
  - Ensure that suppliers' environmental policies are considered during tender evaluations and where relevant are considered in the award of contracts.
  - Specify the use of environmentally responsible materials, products and services, carrying out regular reviews of products and specifications to ensure continuous improvement.
  - Aim to include recyclable materials and products.
  - Ensure that any new build developments comply with the Code for Sustainable Homes Level 4 as a minimum.
  - Monitor the recycling of waste of contractors, suppliers and Southway teams.
  - Develop and utilise available e-procurement platforms to reduce waste in procurement activities.
  - Support the procurement of Fair Trade goods whenever practical.
  - Encourage contractors and suppliers to investigate and develop environmentally responsible procedures and products.
  - Aim to use locally sourced materials and supplies wherever practical, to reduce emissions through transportation and distribution.
  - Measure energy and environmental impacts on appropriate procurements – for example SAP rating improvements and reductions in CO<sub>2</sub> emissions.
  - Aim to develop a scoring method for assessing a wider range of environmental impacts
- 9.2 Southway will consider sustainability as an important criterion in any procurement, providing that the cost or availability does not prejudice service delivery.

## **10 Local Employment/Training and Support for Small and Medium Size Enterprises (SME's)**

10.1 Southway will;

- Ensure appropriate contracts include local labour targets and monitor these throughout contracts.
- Where possible purchase goods and services locally to support local businesses and communities.
- Actively encourage the development of skills of local people through training, apprenticeships and work placements.
- Optimise spend against the Southway £ and the spend locally within the Greater Manchester area.

10.2 Southway will support opportunities for SME's, social enterprises and third sector organisations to compete for contracts where this is consistent with value for money and the UK Regulations and EU Procurement Directives by publishing low value contract opportunities.

## **11 Quality - Tools and System Use**

11.1 Procurement performance will be underpinned by use of appropriate tools, technologies and systems, both to improve procurement delivery (e.g. e-tendering platforms) and to provide the necessary data and information for successful decision-making.

## **12 Organisational Capability**

12.1 Procurement skills and resources will be improved through training and briefing sessions to build and enhance the procurement expertise within Southway Housing Trust.

12.2 The need to embed Best Value principles into the culture of the organisation will be a focus within these sessions.

## **13 Equality and Diversity**

13.1 Southway Housing Trust will ensure that potential contractors, suppliers and service providers have appropriate employment policies and practices, and are able to meet our commitment to equal access to services, and the duty to promote equality at all stages of the procurement process.

13.2 SME's and Black and Minority Ethnic suppliers will be supported whenever practical.

13.3 Suppliers or contractors appointed for the provision of goods, services or works must operate an effective equality and diversity policy or commit to comply with Southway's own policy.

13.4 The tendering process will be equal, transparent and open.

13.5 Where relevant to outcomes Southway will monitor suppliers and contractors on their achievements against diversity targets.

## **14 Health and Safety**

- 14.1 Southway is committed to ensuring that all service providers, suppliers and contractors have appropriate Health and Safety policies and procedures and are able to meet Southway's commitment to the prevention of accidents, injuries and ill health related to workplace activities.
- 14.2 Southway will ensure that each procurement process and subsequent delivery of services, is delivered in full accordance with existing health and safety regulations and protocols.

## **15 Risk Management**

- 15.1 Southway will manage procurement risk in accordance with the organisation's Risk Management Framework.
- 15.2 Procurement decisions will be balanced to include risk as well as cost, quality and service issues.
- 15.3 When assessing the level of risk, Southway will:
  - Identify potential problems and their causes
  - Assess the probability of occurrence
  - Assess the impact on Southway Housing Trust and its customers
  - Identify which party (or combination of parties) is best able to manage the risk
  - Develop strategies to manage the risk in a transparent and appropriate manner

## **16 Strategy Review and Implementation**

- 16.1 The strategy will be reviewed in 24 months time.
- 16.2 The Executive Management Team (EMT) will be responsible for ensuring the strategy is implemented and utilised by all staff procuring services. The Director of Regeneration and Asset Management will be responsible for review and revision of the strategy.
- 16.3 Staff will be briefed on the strategy through workshop sessions during January and February 2010.
- 16.4 A standard pro forma will be developed as a tool for staff when carrying out procurement to ensure that consideration is given to all strategic objectives.
- 16.5 All future procurement will have full regard for the principles governing this strategy.

## **17 Links to Other Policies/Procedures and Strategies**

- Asset Management Strategy
- Value for Money Strategy
- Financial Regulations and Standing Orders
- Business Plan
- Risk Management Strategies

- Equality and Diversity Strategy
- ICT Strategy
- Energy and Environmental Strategy
- Customer Involvement Strategy
- Health and Safety Policy

## 18 Procurement and Best Value Reviews 2009/10/11/12

18.1 The following procurements are those that officers are currently aware of being planned in 2009/10/11/12:

Service Area	Procurement Detail and Start of Contract	Estimated Cost
Asset Management	Non Traditional External Works including cladding - 2010/11	£18M estimated
Regeneration/Asset Management	Environmental Works Programme - 2010/11 to 2012/13	£10.45M
Asset Management	Impact/GM Procure merger - 2009/10	N/A
Regeneration/Asset Management	Environmental Quick Wins - 2009/10	£0.25M
Asset Management	Green End Road and Leaseholder Homes – External Works - 2009/10	£3M
Asset Management	Ainsford Road Externals – External Works - 2010/11	£1.5M
Asset Management	Balance of Home Improvement Works - 2010/11 to 2012/13	£15M
Property Services	Fleet Procurement - 2010/11	£0.2m per annum
Property Services	Major Voids Procurement - 2010/11	£1M per annum
Property Services	Gas Servicing -2010/11	£0.3m per annum
Property Services	Main Materials Supply -2010/11	£0.7M per annum
Central Services	Review of cleaning, stationery and refreshment suppliers 2010/11	£0.135k
Neighbourhood Services	Tree Survey and Surgeon Works – 2010/11	£0.15M

## 18.2 Best Value and Service Reviews

18.2.1 All services will be benchmarked and where relevant market assessments and option appraisals carried out. The aim will be to assess the benefits of alternative arrangements against those already provided. Services where there are existing alternative service providers that will be subject to review in 2009/10/11 include, but are not limited to:

- Human Resource Services
- Debt Recovery Services
- Anti Social Behaviour
- Repairs and Maintenance

<b><u>STRATEGY IMPLEMENTATION AND REVIEW HISTORY</u></b>	
<b>Date Approved by Board:</b> <b>24/11/09</b>	<b>Date Implemented:</b> <b>January 2010</b>
<b>Projected Date of Review:</b> <b>Review Date:</b> <b><u>Amendment(s) Made/Reason</u></b>	
<b>Date Approved by Board:</b>	<b>Date Implemented:</b>
<b>Next Projected Date of Review:</b> November 2011	

## Glossary of Terms

KLOE	Key Lines of Enquiry (KLOE) are detailed questions that help inspectors assess a companies performance
E - Procurement	The business-to-business sale and purchase of goods and services over an electronic network such as the Internet.
E- Procurement Tools	E-procurement tools are an exercise in listening to vendor presentations, testing products and services that seem to make sense, and ultimately going ahead with those that actually work.
E- Procurement Platforms	An E-Procurement platform allows buyers to work with companies for goods and services. It helps make the process more efficient, cost effective and automatic.
Sustainability	Sustainability means meeting the needs of the present without compromising the future needs
SAP Ratings Standard Assessment Procedure	The SAP rating is a way of measuring the energy efficiency of a building by taking into account items such as heating systems, the position of the site and the materials of the structure.
OJEC	Official Journal of the European Community. It contains EU legislation including regulations, directives, decisions, recommendations and opinions.
Consortia	This is an association of two or more individuals, companies, organisations or governments (or any combination of these entities) with the objective of participating in a common activity or pooling their resources for achieving a common goal.
SME's	Small and medium-sized enterprises (SMEs) are those businesses which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million”.
Third Sector Organisations	A third sector organisation is one that is made up by organisations that are not-for-profit and non-government, together with the activities of volunteering and giving which sustain them.
Framework Contracts	A Framework Contract is designed to allow the Employer to invite tenders from suppliers to carry out work on an ‘as instructed’ basis over a set term. Normally, the Employer will appoint a number of framework suppliers to carry out work within the defined scope.
Code for Sustainable Homes Level 4	This is a new building regulation requirement for new build for energy efficiency, sustainability

	and carbon reduction.
Performance Management	Performance management is a process that includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc.
Transparency	Transparency is about being open, honest, and accountable in business. It's about responsibility. People are listening to you and making evaluations and decisions based upon what you say, and as such, it's important to take responsibility for the messaging you put out there
Probity	Uprightness, honesty, integrity
Benchmarking	a standard by which something can be measured or judged, usually with other Social Housing Companies
Annual Licenses	A payment for a service that must be paid each year
Quality weighting	The amount of importance put on a particular aspect of a product or service
Value design and engineering	This is a conscious and explicit set of disciplined procedures designed to seek out optimum value for both initial and long-term investment
Pain / gain share	Pain share means that if a contract is over budget, the customer and the contractor 'share' the cost. Gain share means that if a contract is under budget, the customer and the contractor 'share' the saving
OJEU	Official Journal of the European Union. This is the publication in which all contracts from the public sector which are valued above a certain cost must be published.