



Procurement Strategy 2009 - 2013

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1. Introduction and purpose of this strategy

- 1.1 RBH's revenue and capital budgets include over £25M expenditure every year on works, supplies and services supporting and delivering services to tenants and stakeholders. The vast majority of expenditure has already been subject to procurement, however it is important that all expenditure is tested to ensure that the best possible value for money is achieved.
- 1.2 Procurement is the process of obtaining goods, services or works, taking into consideration 'whole life cost'. This is different from traditional buying which is concerned only with purchase costs, i.e. price. Good procurement is one of the most effective of achieving continuous improvement in value for money.
- 1.3 This Procurement Strategy 2009-2013 updates and refreshes RBH's current document and prioritises the focus of future procurement activity within an updated action plan. Significant progress has been made in relation to procurement but this strategy focuses on what must be achieved next to further improve the procurement function.

2. Context and Drivers (External & Internal)

- 2.1 In addition to RBH's desire to provide excellent value for money, there are a number of other key drivers (both external and internal) that this strategy must take into account, aimed at ensuring that procurement is continuously improved and year-on-year efficiency gains are achieved.

2.2 External

RBH faces a wide range of external forces. Over recent years public sector procurement has risen up the government's agenda as greater and greater efficiencies are sought. It has therefore developed a number of reports on how procurement should be carried out, and increased the legal requirements. Below are listed the main external factors:

The Egan Report (Rethinking Construction: 1998) – Aims to increase efficiency within the construction industry.

Byatt Report (Delivering Better Services for Citizens: 2001) – Identifies the critical contribution Procurement can make in delivering public services.

National Procurement Strategy 2003 – Published by the ODPM it sets out a framework for all public bodies to develop a strategic approach to procurement.

Gershon Efficiency Agenda, the Government's Comprehensive Spending Review and annual efficiency targets

Identifies areas for improved efficiency, including procurement, and introduces the Annual Efficiency Statements.

Audit Commission (KLOE 32: Value for Money in Housing) – Effective procurement is a key element of the Housing Inspectorate VFM key line of enquiry by which it measures performance of social housing organisations

EU Procurement Directive (2004/18/EC) – Legal requirement for free

trade, open and fair competition, non-discrimination, equal treatment, and transparency.

2.3 **Internal**

The local, internal drivers include:

Forecast shortfall in the HRA – The HRA is forecast to move into a deficit position in the medium term so a strategy for delivering further improved value for money through procurement activity is essential.

Asset Management Strategy – How RBH will maintain the housing stock at the Decent Homes Standard in a climate where funding levels are diminishing.

Financial and VFM Strategies – RBH's approach to value for money, and how it will ensure that this is achieved throughout the organisation.

Equality & Diversity

RBH's Equality and Diversity policy seeks to ensure that all organisations and individuals are treated equally and have proper access to contract opportunities.

3. **How procurement is currently delivered and managed**

- 3.1 RBH has a procurement function that has become well established during the life of the previous Procurement Strategy, with a manager responsible for leading on specific tendering projects as well as reviewing and improving how procurement is undertaken within RBH.
- 3.2 The Procurement Manager is also responsible for maintaining RBHs contract database and certain central contracts and is available as a central resource for, and the dissemination of, procurement intelligence, best practice, and the development of new procurement processes.
- 3.3 For goods, services and minor works, the emphasis of our procurement function is to provide central support for managers through the procurement process with contract monitoring devolved to individual service managers. This structure allows procurement to be carried out at the most appropriate level. Quotations and raising purchase orders can be carried out by departmental staff, while tenders and more complex procurement can be done by senior staff working with the Procurement Manager.
- 3.4 RBH also benefits from extensive in-house experience of construction related procurement and clearly understands the key principles of balancing consultation, quality and price. We have valuable experience in translating Egan principles and partnering into effective working arrangements that benefit all involved, with our customers playing a key role in partnerships to enable services to meet their needs. Until recently most Planned Capital Programme (PCP) work continued to be delivered through an extension of the strategic partnership set up to deliver the Decent Homes Standard. The capital and revenue planned maintenance procurement programme for 2009/10 will also include

appropriate partnering arrangements with small to medium sized local contractors.

3.5 All these procurements are regulated by the Financial and Contract Procedure and Rules and the Procurement Toolkit.

3.6 Since the first Procurement Strategy, RBH has achieved a number of successes, which include:

- Implementing the use of an e-tendering portal launched by the NWCE to ensure the all goods, works and services procured are tested for value for money. A revised approved contractor list is being developed in conjunction with this.
- Introducing a Procurement Toolkit for all staff involved in procurement.
- Extensive use of modern methods of procurement wherever appropriate, for example partnerships and consortia (including GM Procure, the Northern Housing Consortium and Office of Government Commerce – business solutions).
- Procurement of a number of major contracts for example fleet management, outsourced to a locally based provider, resulting in significant improvements in the service specification and productivity gains.
- Delivering over £7M of efficiency savings within the Decent Homes programme
- Successfully completing a rigorous market testing of the responsive and voids repairs service.

4. Procurement Strategy Objectives

It is clear that if RBH is to continue to move forward towards excellence organisation, the role of procurement is a crucial one. RBH's overall vision for procurement was articulated in the previous strategy as being:

“to obtain best value through planned and skilful procurement, in respect of all goods, works and services procured by RBH”.

The previous strategy also laid the foundations for the current structure of procurement within RBH by setting out our procurement principles and how they relate to RBH's core values. These principles have been retained and are shown in **5.1** of this document.

Despite the successes already achieved in relation to procurement, it is important that the organisational procurement capability is improved further. To do this and achieve our vision for procurement, there are a number of issues that need to be taken into account which form the basis of this strategy document.

4.1 Increasing VFM opportunities

Perhaps the most fundamental objective for all procurement that is undertaken is the achievement of value for money. RBH's strategy is to adopt a 'mix-and-match' approach whereby the most appropriate procurement route for a project is selected to optimise VFM. This may be buying through a procurement consortium, using partnering contracts, carrying out a full competitive tender; or using in-house resources.

Partnering, collaborative working and consortia

Undertaking significant procurement activity on both the Major Investment Programme and the market testing of the response repairs service has provided valuable experience in translating Egan principles and partnering into effective working arrangements that benefit all involved. Our customers have played a major role in partnerships to enable services to be provided that both meet their needs and, through continuous feedback, strive for excellence.

The strategic partnership set up to deliver the Decent Homes Standard has worked well but as our buying power reduced considerably as resources diminished following the end of the Decent Homes programme we have sought to engage with other ALMOs and RSLs within the region to explore the opportunity of combining buying power and sharing resources to set up a regional strategic framework for the delivery of planned and responsive maintenance work. The result of this is our membership of a regional collaborative procurement & delivery consortium named GM Procure. RBH is a founder member of GM Procure and has a place on its Board.

GM Procure has significant potential to reduce duplication, provide greater opportunity for supply chain integration and deliver efficiency savings. There is also possible scope for added value through the reinvestment of savings into community initiatives and training and employment projects.

In addition tenant consultation has indicated a preference to deliver major repairs and environmental improvements via a number of small to medium local contractors rather than a single contractor partner. This has been assisted by working in collaboration with GM Procure and will also be achieved via direct tendering to local contractors or the establishment of extended small scale partnering agreements

RBH are also effectively engaging in collaborative procurement through its membership of the North West ALMO Group (NWAG) which has been considering how better services could be provided across the sub-region and identifying which services are best suited for sharing. A key area for procurement of shared services has been identified as specialist legal services and NWAG has decided to establish a framework agreement to deliver legal services across the group. RBH will be a key participant in this and other options being considered by NWAG.

RBH will also continue to access framework agreements set up by consortiums and other purchasing bodies for example:

- The Northern Housing Consortium (NHC)
- Office of Government Commerce – business solutions (OGCbs)
- Procurement for Housing (PfH)
- North West Centre Excellence (NWCE)

Using these framework agreements, an example being the Digital Switchover contract awarded via the NHC, is useful in reducing the procurement lead time because a large part of the work has already been completed, and in being able to benchmark costs so that it is clearly demonstrated that best value has been secured.

None of this work precludes the need to continue to increase the scope of previously out-sourced services that are brought in house where this demonstrably provides greater value for money. Examples of this are the Clerk of Works role for the Planned Capital Programme and the inspection of water systems for legionella.

Efficient procurement processes

RBH is currently in the process of developing a revised approved contractor list to operate in conjunction with its new e-tendering framework facilitated by an online portal named “The Chest”. A standard application form has been developed for sub-contractors, so that we can assess key capacity & capability issues such as company size & experience, health & safety, recruitment and training policy.

Contractors have been invited to submit applications via an open advertisement in local press and assistance is being provided to encourage smaller firms to participate in the process.

It is hoped this process will generate a comprehensive base of local contractors, all of whom will satisfy the requirements of the approved list and will subscribe to The Chest. The Chest e-tendering portal is now online and will enable secure, competitive, responsive and auditable tenders to be obtained for smaller scope repair and maintenance work.

In addition, RBH is committed to reducing back-office costs linked to the procurement chain by extending the use of procurement cards for high volume, low value transactions and also talking to suppliers about the use of electronic payment methods wherever possible.

Quantifying efficiency savings from procurement

It is important that savings achieved from procurement activity are properly evidenced and this will be easier to achieve through using The Chest. RBH will develop a series of performance indicators to demonstrate not just savings generated from re-tendering exercises but also the overall efficiency of our procurement processes. We will maintain this information and report annually to the Board on performance of the procurement function.

4.2 Setting clear responsibilities and ensuring probity through robust procurement processes

To achieve effective procurement it is important that roles and responsibilities across the organisation are clearly established. The leading role is provided by the Head of Finance and the Head of Asset Management, both of whom have an influence on the direction of the Procurement Strategy and for ensuring that procurement policies are enforced.

There are a wide range of staff involved in procurement which involves not just tendering processes but ordering of goods, works and services, the

supervising and managing of the delivery of goods, works and services and payment. All the various elements of the ‘procurement chain’ need to work effectively together. Everyone involved in procurement is responsible for being transparent, fair and consistent. All activity should be undertaken to the highest standards of probity and accountability. All staff should be aware that they have a duty to behave honestly and in a trustworthy manner. Controls within the financial processes not only help the prevention of fraud but also protect the individuals concerned against allegations of fraud and misappropriation.

A review of RBH’s procurement to pay processes has taken place and new procedures introduced for sourcing goods, works and services (through the e-tendering portal called The Chest); and for paying for goods with the introduction of purchasing cards and a new centralised invoice processing system to facilitate electronic approval of invoices.

RBH will retain our devolved structure for procurement where operational teams are responsible for procurement with the support of the Procurement Manager at the centre. It is important however that roles and responsibilities for procurement throughout the organisation are now clarified and our financial regulations and contract procedure rules updated to reflect the new procurement processes. The Procurement Toolkit for managers will also be reviewed and updated. In addition it is proposed to disseminate and agreed annual procurement plan to all operational teams.

Risk management

An assessment of the most significant risks in relation to procurement activity has been undertaken and built into the risk register:

Procurement – operational risks

		Score
	Business failure of a key supplier	High
	The process or award of an EU or non-EU tender is challenged	Med
	Work is carried out by an incompetent contractor	Med
	Corrupt practices occur in the award of a contract	Med

We will monitor these risks on an on-going basis and seek to control them through embedding our robust procurement processes throughout the organisation

4.3 Enhancing procurement skills

The training and development of staff in the understanding of procurement is fundamental to the delivery of this strategy. RBH aims to improve procurement skills among employees initially by raising the profile of procurement and its importance to the delivery of corporate objectives such as value for money. A programme of training for all staff involved in sourcing, specifying, raising orders and approval will ensure they are equipped with the

knowledge, skills, and resources necessary to make procurement decisions that support and promote the objectives of RBH.

4.4 Delivering responsible procurement.

Social

RBH has a role as a commissioner of services, and will apply its Equality and Diversity Policy when organisations tender for contracts. It is important that organisations use local labour where appropriate, and that workforces are representative of the community. The Company will:

- Ensure that organisations have equal access to contract opportunities and are treated fairly in procurement processes.
- Seek to have ethnic minority organisations on its Approved List of Contractors, Consultants and Suppliers.
- Require all contractors, consultants and suppliers to comply with relevant Equality and Diversity legislation and RBH's policy.
- Take appropriate action against companies, including removal of their name from the Approved List, if they fail to comply with relevant Equality and Diversity/Race Relations regulations.
- Review its Approved List of Contractors, Consultants and Suppliers annually in line with the Equality and Diversity Policy.

RBH also has a responsibility to the local community to promote economic development. We have signed up to a local concordat committing ourselves to ensuring that small to medium sized enterprises (SMEs) are able to compete for work alongside contractors from outside the area. Contracts will be tendered, where possible, in such a way that does not preclude local, SMEs, newly formed companies, and Third Sector Organisations from tendering

Environmental

Through its procurement processes RBH promotes environmental protection and sustainable development to create a cleaner, greener environment. RBH is committed to reducing its impact on climate change and aims to make use of goods and services that are less harmful to the local and global environment. Working within the legislative and value for money framework RBH will assess the environmental performance, where appropriate, of all third party suppliers throughout the procurement process by:

- Specifying a sustainable product ranges
- Enabling the procurement of sustainable goods;
- Working with suppliers to increase the availability of sustainable products

In addition, in our responsive, planned and capital work programmes we are committed to:

- Reducing the environmental impact of the delivery of maintenance work
- Using sustainable materials in all our maintenance activities

- Maximising the use of local labour, suppliers and contractors to reduce the environmental impact from unnecessary transportation of labour & materials.
- Evaluating and maximising the potential of delivering improvements to homes that improve energy efficiency and reduce future running costs for our customers
- Developing innovative solutions around the provision of heat and power in a sustainable way, maximising the use of renewable energy
- Building new homes that are designed to the highest energy efficiency standards and use sustainable materials
- Maximising the recycling of waste materials

4.5 Ensuring stakeholder involvement

Tenants, leaseholders and other stakeholders are regularly involved in developing specifications for major procurement projects and other forms of procurement decision making. This is important as it is essential that the works or service being procured is actually what is required by customers and other service users. RBH complies with good practice on this issues for example in ensuring widespread stakeholder involvement in the major tendering exercise undertaken for the repairs service.

- RBH are currently in the process of establishing a number of tenant led service improvement panels to drive service improvements across RBH functions. All these panels will scrutinise procurement processes for goods and services relevant to particular service areas.

RBH will need to continue to ensure through its governance framework, that all stakeholders are able to appropriately influence this Procurement Strategy.

5 Annexes

5.1 RBH's procurement principles and the core values

Procurement Principles	RBH Core Values				
	Quality and improvement	Working together	Openness	Accountability	Learning
<p>1. Management and control of contracts Arrangements shall ensure that all contracts are adequately managed and monitored with a view to achieving completion on time, within budget, and in accordance with the specification</p>	✓		✓	✓	
<p>2. Assessing and minimising risk The risks associated with all procurement shall be assessed, quantified, and minimised accordingly.</p>	✓			✓	
<p>3. Qualified and experienced staff resources Staff engaged in procurement and contract management shall be suitably qualified and trained for the purpose.</p>	✓	✓			✓
<p>4. Social, economic and environmental well being All major procurements shall recognise the impact on the social, economic and environmental well being within the borough.</p>	✓	✓	✓		
<p>5. Packaging of major contracts All major procurement shall have due regard to the issue of sustainability and early decisions shall be taken to ensure that projects are packaged so as to encourage delivery in the most efficient manner and achieve what end users both want and can afford.</p>	✓	✓			
<p>6. High professional standards and best practice All procurement procedures shall be operated in a professional manner and ensure the highest standards of transparency, probity and accountability</p>	✓	✓	✓	✓	✓
<p>7. Continuous improvement Where contracts are going to run for a number of years, the contract should be sufficiently flexible as to provide for measurable continuous improvement throughout the period of the contract</p>	✓	✓	✓		
<p>8. Workforce matters Any procurement that potentially involves the transfer of staff who are currently employed by RBH or the Council shall, as far as legally possible, fully protect the future terms and conditions of employment of such staff so that they continue to enjoy good employment practices.</p>		✓	✓		✓

5.2 Procurement Strategy Action Plan

Target/Action	Outcome	Lead Officer	Due Date
1. Increasing VFM opportunities			
a) Promote further use of collaborative procurement through GM Procure and NWAG and others	Improved value for money	Head of Asset Management; Procurement Manager	On-going
b) Develop procurement performance Indicators	Demonstration of VFM	Procurement Manager	Work in Progress
c) Expand use of modern methods of procurement to achieve further efficiencies, including: Further role out of The Chest e-sourcing system and expanded use of Procurement cards.	Improved efficiency/VFM	Procurement Manager	Complete / Ongoing
2. Clear responsibilities and probity through robust procurement processes			
a) Update Contract rules and Procurement Toolkit in the light of the purchase to pay process review	Improved efficiency	Procurement Manager	Complete / Ongoing
3. Procurement skills			
a) Deliver a training programme for all staff involved with procurement	Improved efficiency and VFM	Procurement Manager	Complete / Ongoing
4. Responsible procurement			
a) Annual review of contractors and suppliers in line with the Equality & Diversity policy	Improved customer satisfaction Service delivery reflects the needs of the community	Procurement Manager / E & D Manager	On-going
b) Further promote sustainability within our procurement practices	Reduce impact on the environment Better longer term outcomes for customers	Procurement Manager; Head of Asset Management	On-going
5. Stakeholder involvement			
a) Maintain opportunities for stakeholders to influence procurement through new Boroughwide panels and other elements of the governance framework	Improved visibility of service delivery for customers	Procurement Manager; Head of Asset Management	On-going