



PROCUREMENT STRATEGY

2008 – 2011

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1 Introduction

- 1.1 Northwards Housing is an Arms Length Management Organisation (ALMO) managing around 12,500 homes in North Manchester on behalf of Manchester City Council.
- 1.2 The organisation currently spends around £15m, which is almost two thirds of its total annual budget on bought in goods, services and works. In addition, it procures, together with Manchester City Council, considerable supplies through the Capital Works and Decent Homes programmes.
- 1.3 Northwards has as two of its seven objectives to provide Quality Services and to deliver Value for Money, to ensure that resources are used in the best ways possible to deliver all the objectives and values of the organisation. Key to this is the provision of efficient and effective procurement of goods and services as a means of delivering our mission. This is at the heart of our commitment to maintain financial stability and improve our services.

2 Purpose

- 2.1 Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties, and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves option appraisal and the critical “make or buy” decision, which may result on the provision of services in-house in appropriate circumstances.
- 2.2 An organisation needs to be mindful of its’ financial opportunities and the emphasis placed on procuring goods and services, regardless of their cost. More importantly that the goods and services purchased, offer the best value and are fit for purpose. How this is decided, depends upon a number of factors. However, what is clear is that the procurement of goods and services must follow a consistent and transparent process.
- 2.3 The pressure placed upon the public sector in terms of efficiencies and savings from procurement means that developing appropriate strategies to manage and drive the process forward are critical to the success of the organisation.
- 2.4 Taking a strategic approach to all procurement will allow the organisation to take holistic views of its requirements, now and into the future. Careful planning and future considerations are vital in making the strategy work.
- 2.5 The strategy aims to provide a framework that can be used to drive through and deliver sustainable procurement solutions in order to

optimise the organisation's financial position and provide the right product or service at the right price for the appropriate period.

3 Background

3.1 Procurement has been brought to the fore in recent years by the Byatt report and the CLG National Strategy for Local Government Procurement. The Byatt report highlighted the role of procurement in supporting high quality public services and established the principles of best practice. In particular, the Review advocated the creation of centres of excellence and stated *'Better procurement should be an integral part of best value within every local authority, as the achievement of best value depends on good procurement.'*

3.2 Key reference sources include:

3.2.1 Audit Commission Key Lines of Enquiries

The Value for Money KLOE asks of organisations;

- "Is there a robust modern Procurement Strategy to apply best practice to achieve Value for Money in priority areas including working with partners?"
- "Are 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?"
- "How do service costs compare with others?"
- "Is accurate information on costs and services collected and is this used to decide priorities and strategically manage resources?"
- "Are there effective performance management arrangements in place to drive and deliver improved Value for Money?"

3.2.2 "Releasing Resources to the Front Line: Independent Review of Public Service Efficiency" (Sir Peter Gershon, July 2004)

Gershon's report identified key workstreams as:

- Procurement
- Back office costs
- Transactional services
- Policy, funding and regulation
- Production time

3.2.3 The Egan Report "Rethinking Construction Basic Principles" identified

- Client Leadership
- Integrated team throughout the delivery plan
- Respect for people

3.2.4 EU Procurement Directive 2004/18/EC

The Directive aims to ensure public procurement adheres to the following principles;

- Fair trade across the European Union
- Value for money through open competition
- Non discrimination and equal treatment
- Transparency
- Proportionality (procurement methods should reflect size of the contract)

3.3 Value for Money is one of Northwards' seven objectives and is fundamental to the successful delivery of high quality services that the organisation aspires provide. An efficient Procurement Strategy has a direct implication for Value for Money and links to the following strategies and plans;

- Value for Money Strategy
- Asset Management Strategy
- Business and Delivery Plan

3.4 Audit Commission's Housing National Report February 2008 - Better Buys – Improving Housing Association Procurement Practice.

- Identifies gaps in procurement skills and recommends steps to fill those gaps, either by building in-house capacity or seeking external expertise.
- Identifies and collects information on the market before considering procurement options and ensure that performance monitoring and benchmarking is undertaken as part of the procurement cycle.
- Considers and evaluates all models of collaboration for achieving greater efficiency, including shared services in groups and consortia.
- Explores and evaluates a greater role for e-procurement tools.
- Ensures that residents are involved in, and have appropriate opportunities to influence relevant procurement process.

4 Northwards and Procurement

4.1 Northwards' Procurement Strategy aims to achieve procurement that recognises;

- Good procurement is an essential part of delivering good quality services.
- Procurement is an issue, which needs to be managed and monitored strategically by Northwards.
- With the Government's agenda for Local Government, Continuous Improvement and local e-government it is now clear that efficient procurement is a critical requirement for the organisation.

4.2 Northwards' vision behind the Strategy is to obtain Value for Money through the planned and skilful management of procurement and supply chains.

4.3 The Procurement Strategy is underpinned by the following strategic aims, which reflects the complexity of the issues that surround procurement and provides the principles in addressing the issues.

- To provide a corporate framework for procurement within Northwards;
- To improve procurement skills among Northwards' employees and create greater awareness among Board Members and other stakeholders;
- To provide best value achieving efficiency, and Value for Money by sourcing and delivering the best solutions ensuring the right products and services are provided at the right time, for the right price;
- To consult our customers and stakeholders on the future delivery of services;
- To promote the Procurement Strategy achieving best value whilst operating, as far as possible, in a way that is consistent with, compliments and promotes Northwards' values, policies and objectives;
- To ensure environmental issues are addressed, throughout the procurement process;
- To ensure the potential for the promotion of the local economy is addressed including Small and Medium Enterprises (SMEs) and the use of Black and Minority Ethnic (BME) Groups;
- To ensure that maximum use is made of collaborative procurement arrangements;
- To ensure that sound rules, regulations and procedures are used that maximise flexibility and yet ensure contractual and probity requirements are satisfied.

4.4 Through policy and culture the organisation will:

- base the procurement of its requirements upon the principles of best value and will, as a result, continue to expect a mixed economy of provision in achieving efficiency, effectiveness and Value for Money in its services to the community;
- expect that procurement will be based upon a partnering approach in which both Northwards and the supplier seek to gain maximum mutual advantage through longer term relationships and continuous improvement. In connection with this, it will be normal practice to measure outcomes rather than inputs;
- take a long term strategic view in respect of the procurement of its requirements, including the potential for innovative funding, the management and balance of risk and the opportunities for cross service/agency working;
- expect that, when it has determined that requirements will be sourced externally, these will be acquired as the result of appropriate competition unless there are compelling reasons to the contrary;

- where appropriate, seek advice from the market concerning funding, capacity, method and innovation and use its position and purchasing power to influence the development of markets;
- seek to work with others and through consortia in the procurement of its requirements, in order to widen the scope of its experience, mitigate procurement costs, maximise purchasing power and harness the economies of scale;
- consult with its staff in accordance with its established agreements and ensure that the views of staff are considered when making procurement decisions that affect them;
- consider sustainability as an important criterion in any procurement, providing that the cost or availability does not prejudice service delivery.

5 Existing Procurement Practice

Repairs, Maintenance and Capital Programme

- 5.1 Northwards is committed to using long term partnering and framework contracts for larger areas of works such as Gas Servicing, Day to Day and Void Repairs and Capital home improvement works. These arrangements enable us to deliver quality services with the ability to continually review and improve.

Capital Programme

- 5.2 Northwards is a founding Member of IMPACT Manchester Limited, a company and procurement consortia which achieves significant savings through the development of long term supply chain partnering contracts and large volume purchasing. Additionally, it channels some of the savings into local initiatives such as training and development within the construction industry.
- 5.3 Northwards' tenants were involved in the original procurement exercise creating the Framework Agreement under which contractors were selected. The procurement exercise was shared with other organisations and evaluated based on quality and price (60%/40%).
- 5.4 From the Framework Agreement, Northwards selected Manchester Working, Lords, G&J Seddons and Wates Living Space to work with. Prices and performance are benchmarked between contractors which allow direct value comparisons as well as learning to achieve efficiencies and Value for Money and at the same time optimise quality, customer care and areas of added value such as training and development.
- 5.5 IMPACT Manchester provides a joint supply chain which has realised efficiencies in the programme and procurement on both price and quality and a Value Engineering working group is continually reviewing progress and new ideas. Benchmarking is being carried with similar RSLs and ALMOs to compare component costs.

- 5.6 The work of IMPACT Manchester is due very shortly to be recognised by the Communities and Local Government Department (CLG) as a development consortium with assistance and funding from the National Change Agency.
- 5.7 The Procurement Strategy in this area should be looked at in conjunction with the Asset Management Strategy.

Repairs and Maintenance

- 5.8 Responsive repairs and maintenance services are provided by Manchester Working Limited. The current contract was tendered on quality and price (60% quality / 40% price) in 2006 and runs until 2011. This was part of a joint capital and maintenance procurement with the associated economies of scale.
- 5.9 Further reviews in relation to the partnership working between Northwards and Manchester Working have taken place since the contract was signed and these have resulted in changes in processes for voids and surveys.
- 5.10 Joint working continues to show innovation and Value for Money (eg handheld technology for surveyors) and regular contact meetings take place at all levels.
- 5.11 The scope of the current contract includes responsive repairs, annual gas servicing, and the replacement of major parts or whole heating systems in cases of system failure (classed as installation work).

Specialist Services

- 5.12 Northwards has a number of specialist service contracts, including those with Manchester Working, of varying values and timescale. These are continually being reviewed and will be re-procured either as part of the responsive repairs contract in time or in a manner best suited to their value and specialist nature.
- 5.13 As part of its Procurement Strategy Northwards will continue to:
- Review current arrangements to ensure that there is capacity to deliver any increase in the Capital Programme;
 - Fully consult with Northwards' customers, Board Members and teams to ensure procurement arrangements meet the desired outcomes and expectations of stakeholders;
 - Ensure that wherever possible procurement activity considers options for cross tenure involvement of contractors and possible benefits that may result;
 - Explore the case for shared services and joint procurement

Goods and Services

- 5.14 Northwards procures goods and services in the following ways:
- Use of existing corporate contracts where in place and that demonstrate Value for Money.
 - In line with the Procurement Guidelines and Rules
 - Use of purchase cards for small value purchases
 - Involvement in procurement clubs (Procurement for Housing)
 - Joint work with other RSLs ie IMPACT Manchester, On Call review
- 5.15 Northwards no longer has a Service Level Agreement with Manchester City Council for procurement but still has the ability to use the Council team as a resource for particular purposes. In addition, a project on shared services with other ALMOs is discussing the provision of a shared procurement resource.

6 Value for Money and Efficiencies

- 6.1 The concept of Best Value developed more recently has replaced the Compulsory Competitive Tendering regime. The principles of Best value in the guidance can be summarised as;
- Consult customers, residents, service users, etc. about services, standards and performance;
 - Plan at strategic level, to deliver and improve services, with service plans that include performance targets;
 - Benchmark with other similar organisations;
 - Test the quality and value of services against national and local standards and make other appropriate comparisons, including market testing where this is possible;
 - Monitor, measure and report on performance;
 - Where performance fails short of standards or targets, plan for improvement.
- 6.2 We have a duty to deliver and demonstrate "Best Value" and the 4 Cs of Best Value:

Challenge, Compare, Consult and Compete

are an integral part of our Procurement Strategy.

- 6.3 Value for Money in procurement can be achieved by:
- Reducing the cost of purchasing and the time it takes – the processing overhead;
 - Getting better Value for Money for the goods and services purchased and improved quality of services;
 - Improving project, contract and asset management.
- 6.4 This Strategy provides a common framework within which all procurements by the organisation should be managed. It is

supplemented by the Procurement Guidelines and Rules which outline the procedural guidance for procurement of works and services.

6.5 Northwards will achieve Best Value in procurement by;

- Benchmarking on costs to ensure that we are achieving Value for Money between existing contractors and within the open market
- Maximise efficiency through the use of IT and changes to business processes such as e-procurement, value engineering, e-auction, and e-invoicing, Purchase order processing
- Involve customers in the process to ensure right product for the right purpose.
- Maximise customer satisfaction by delivery of the best product at the right price
- Investigate further consortia and collaborations to develop best practice
- Procure large contracts jointly with other ALMOs or RSLs where an existing consortium is not already in place thus reducing procurement resources

7 Management and Responsibility

7.1 Responsibility for procurement Northwards requires that:

- the procurement of goods, services and works will lie with each Manager, dependent upon their delegations, who will in turn consult with and appraise relevant Heads of Service or Directors, as appropriate, within the Best Value framework and, if necessary, seek Executive Management Team approval for larger purchases or where the future of staff might be a consideration;
- teams act corporately in planning and carrying out procurement, drawing on existing experience and expertise. In the case of goods and services in common use, the Director of Business Services will authorise a Head of Service to act on behalf of the organisation in formulating corporate contracts as appropriate;
- every procurement which results in a legally binding agreement will be managed and led by an appropriately skilled officer throughout the procurement process and during the life of the arrangement;
- contracts will be actively managed against clear performance targets and the supply chain strategy. The Executive Management Team will report annually to Sub-Committees on contract / supplier performance on an exception basis.

7.2 Northwards has the use of the Council's Procurement Team when needed, as well as a Services and Supplies Officer, who will help to advise Managers and will assist on purchasing etiquette and procedures. These will be in line with the Procurement Guidelines and Rules.

8 Quality

8.1 The strategy and policy are intended as a guide to derive quality and professionalism in all goods, services and works that are delivered. Integral to this are the information documents that are sent out. They must be;

- Clear and defined giving suppliers an unambiguous understanding of what we require
- The documents should be produced with the relevant stakeholders including residents
- The document allows for monitoring the contract and allows for service improvements
- Allow suppliers the opportunity to offer innovation

9 Sustainability

9.1 Northwards' Procurement Strategy will link to sustainability in the following ways:

- Develop projects that will ensure appropriate contracts are entered into that take account of local labour clauses. Where possible purchase goods and services locally with a view to contributing to the future success of local businesses and communities
- Continued use of the IMPACT Manchester framework which channels monies obtained from savings of bulk procurement into initiatives that develop the skills of local people and actively encourages contractors to take on apprentices and trainees.
- Monitor local labour and training throughout contracts.
- Monitor the recycling of waste of contractors and suppliers
- Develop e-procurement to reduce waste in procurement activities
- Use purchasing cards to reduce paperwork in requisitions
- Review specifications and aim to include recycled or environmentally friendly products
- Aim to optimise spend locally within the Greater Manchester area.
- A commitment to developing high environmental and ethical standards in procurement practices and working with contractors, partners and suppliers to examine the supply chain. This will be part of the development of a corporate social responsibility policy.

10 Equality and Diversity

10.1 Customers' needs differ for a variety of reasons: these could include (but are not restricted to) age, ethnic background, gender, their ability to access services or their ability to participate in the life of their community.

10.2 The purpose of focusing on diversity is to ensure that when procuring supplies and services the different needs that customers may have are taken into consideration as part of the specification and selection process.

10.3 The following factors should be considered when undertaking any procurement process, but are particularly relevant when dealing directly with customers and when visiting their homes.

- Northwards will only appoint contractors and consultants who are able to demonstrate their commitment to equality and diversity. All notices seeking expressions of interest in bidding for work must contain a requirement that potential bidders are able to demonstrate their commitment to equality and diversity.
- All tender documentation must give guidance to potential suppliers of Northwards' equality and diversity requirements. This should cover their employment practices and also their provision of contracted services and should give examples of evidence that would be acceptable.
- Northwards will build equality and diversity considerations into evaluating bids from potential suppliers. Such documents may include copies of equality and recruitment policies, evidence of implementation and questions at interview.
- Contracts to put in place mechanisms to monitor suppliers' performance on equality and diversity in employment. For example, annual report on composition of workforce.
- Northwards will work with partner organisations to develop training and employment initiatives designed to encourage people from traditionally under-represented groups to work in the construction industry.

10.4 Northwards has a system of carrying out Equality Impact Assessments and will ensure this programme links to various procurement exercises and is part of the consideration of awarding any contract.

11 Rules and Best Practice

11.1 This Procurement Strategy should be read in conjunction with the Procurement Guidelines and Rules, which are intended as an aid for people with various levels of expertise in procurement. It will develop as the role of procurement within Northwards changes and will evolve alongside the Procurement Strategy.

11.2 The Procurement Strategy, Guidelines and Rules exist to protect the interests of Northwards and individual officers, and ensure that Value for Money is obtained in all procurement activities. It is important that they are viewed as **an aid to good management and not as a hindrance**. Followed properly they provide protection for officers against criticism. Officers must be able to demonstrate that they followed procedure or have obtained the necessary authority for not doing so. The overall objectives are:

To ensure Value for Money is obtained;

To ensure probity in the award of contracts;

To ensure fairness and equity in the treatment of contractors or suppliers;

To ensure that procedures for placing contracts/orders comply with legislation;

To ensure records are kept, and are auditable and transparent, which demonstrate compliance with Standing Orders and Financial Regulations.

- 11.3 Contract Law applies to arrangements between private sector and commercial organisations, public and governmental bodies, voluntary bodies, charities and other organisations.
- 11.4 Even if there is no formal tendering process, or possible alternative, the basic purchasing principles outlined in this Strategy, and within the Guidelines and Rules, must be considered to make sure that any resulting legally binding agreement is in the organisation's interest.
- 11.5 All purchasing on behalf of the organisation must be carried out in accordance with Standing Orders and Financial Regulations. Every purchase and contract must comply with the Procurement Guidelines and Rules and no exception shall be made unless approved by the Board or a person(s) having delegated powers. In extreme emergencies, the Chief Executive may give approval, which must be reported to the next Board meeting for ratification.
- 11.6 If an Officer fails to follow the rules it may render them open to action under Northwards' Disciplinary Process and may be viewed as gross misconduct. Board Members and Officers of the organisation must report breaches of the rules to the Director of Business Services.
- 11.7 This Strategy will be formally reviewed every three years and will be published on the Intranet and Internet. All suggestions for improvement and matters for inclusion are welcomed.
- 11.8 In respect of the policy and best practice the following apply:
- the framework of rules for procurement are those determined by EU and UK law and those set out within Standing orders, in that order of precedence;
 - Standing Orders and Financial Regulations will be reviewed at least once every two years to ensure that Regulations and Best Practice guidance remain modern and relevant. Responsibility for this lies with the Director of Business Services;
 - Northwards has set and published standards for the conduct of employees and will require adherence to these at all times. In all their dealings all concerned with suppliers will ensure the highest standards of honesty, integrity, impartiality and objectivity;

- in dealing with suppliers and providers Northwards will ensure that there is an equal opportunity, for all who meet the stated criteria, to participate in bidding for requirements. Whenever requested unsuccessful applicants will be given feedback as to why they were unsuccessful;
- Northwards will seek to remove obstacles to conducting business and, particularly in the case of local businesses, will encourage participation in tendering;
- in appointing contractors, Northwards will appraise offers received on the basis of whole life costing and will seek an appropriate balance between cost and quality in the evaluation;
- in any procurement Northwards will consider the impact upon the market of particular ways of packaging and presenting requirements so that these are as attractive as possible, consistent with the needs of users.

12 Training

12.1 Northwards;

- Has established a range of procedures for procurement detailed in the Procurement Guidelines 2008 – 2011 and will continue to improve this. This will form the basis for procurement training and staff development;
- Will ensure that all officers responsible for procurement and contract management are fully trained and conversant with the principles of good procurement;
- Will ensure that all staff are fully aware of this Strategy and related policy and procedures and make the documents accessible to everyone within the organisation;
- Will provide certificated training options based upon the competencies linked directly to job activities.

12.2 To address capacity issues that might arise from the procurement requirements of the organisation, Northwards will utilise a combination of resource applications including:

- utilisation of the Procurement Services from Manchester City Council and associated consolidation of requirements, collaborative procurement contracts and expertise;
- use expertise within IMPACT Manchester;
- use of internal expertise to develop and manage appropriate regulations, systems, procedures and training;
- use of expertise within Manchester Working for procurement of repairs and maintenance contracts;
- use of procurement consortium;
- full usage of the Purchasing Card System;
- on-going monitoring of contracts, usage and needs.