



PROCUREMENT STRATEGY

October 2016

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Foreword

Pickering and Ferens Homes (PFH) has an average annual expenditure of £5.9m on goods, services and works. Every aspect of this expenditure is covered in some way by the term “procurement”, and covers activity from the purchase of office consumables to facilities management of our office through to the build and servicing of our residents homes.

Procurement activity undertaken in the right way will be a key enabler in delivering better services to our customers at lower costs; however poorly executed procurement activity can deliver the exact opposite.

At the strategic level we are committed to using procurement as a key tool for driving down costs and making the organisation more financially astute without impacting the high quality of service we currently experience in many areas of the business.

The following strategy creates awareness of the PFH approach to procurement. It will assist a culture of team working and information sharing across the business and will apply to every member of the PFH team.

Ultimately this strategy will support PFH in achieving our mission to “Provide first class homes and services which enhance our Resident’s later life ”.

1.0 Introduction

- 1.1 “Procurement” is the process of buying goods, services or works (or a combination of such) from suppliers. The process covers the whole lifecycle of activities ranging from identification of a need, evaluation of tenders, purchasing and on-going contract management until the end of a goods or service contract, or the end of the useful life of an asset.
- 1.2 Procurement directly impacts the delivery of value for money and contributes to the organisation’s financial sustainability. Developing an effective approach to procurement is therefore crucial as it reflects and contributes to a number of our corporate aims and priorities.

- 1.3 Good procurement practice will deliver a number of key benefits, in particular effective risk management and achievement of value for money. Examples of benefits that can be provided through procurement best practice are:
- Reduced purchased cost
 - Lower lifetime costs (for example: repairs and maintenance)
 - Improved quality and service levels
 - Increased social value
 - Stronger supplier relationships
- 1.4 This strategy forms an essential part of the approach by PFH to improve the way it procures goods, works and services. It should be read in conjunction with the procedures relating to contracts that set out the regulations that must be followed by PFH employees when engaged in procurement activities on behalf of PFH.

2.1 Objectives

The objectives of the strategy are to outline the role that procurement will play in the delivery of PFH's key objectives:

- To improve current procurement practices to achieve better value for money and to ensure that PFH needs are met efficiently and effectively;
- To ensure that current and future procurement activities are planned, monitored and reviewed effectively;
- To identify opportunities for collaboration with others in order to widen the scope for maximising purchasing power and identifying innovation;
- To identify what part residents will play in the procurement process;
- To improve contract and supplier management with the aim of maximising supplier performance in the delivery of goods and services at minimum risk;
- Drive procurement compliance within PFH.

3.1 Principles

The procurement strategy will operate according to the following principles:

- **Company-wide:** The strategy (and its implementation) shall apply, without exception, to the whole of Pickering and Ferens Homes (PFH) and its affiliates;
- **Resident involvement:** Residents will, where appropriate, be involved in procurement decisions and such decisions shall, where relevant, take cognisance of any potential impact upon any and all residents;
- **Highest ethical standards:** PFH and its staff will maintain the highest ethical standards in all its dealings with its suppliers;
- **Equality and diversity:** All of our procurement practices will support our Equality and Diversity policy so that, as a minimum, PFH meets current related legislation.

We will ensure the contracts we award are non-discriminatory and promote equality of opportunity;

- **Environment:** Procurement decisions shall, so far as possible, take into account and seek to promote positive environmental and sustainable policies;
- **Value for money:** Procurement decisions shall seek to maximise PFH's definition of value for money, accepting that all procurement decisions will take into consideration Cost, Quality, Service and Social Value;
- **Continuous improvement:** PFH will seek to build continuous improvement into all its supply contracts and continually re-evaluate the performance of its suppliers and the products and services delivered to PFH and its customers.
- **Delivery of Social Value:** We are committed to working with those we procure from to ensure that determined social value improvements are delivered. We aim to use procurement and our statutory responsibilities under the Public Services (Social Value) Act to achieve our mission. Social value may be delivered in the form of:
 1. Tackling Unemployment
 2. Youth Engagement
 3. Volunteering
 4. Resident Involvement

4.0 Governance and Organisation

4.1 Roles and Responsibilities

The on-going responsibilities with regard to the management and conduct of procurement activity across PFH are outlined in the following paragraphs.

4.1.1 Board

- Adopt and implement the PFH Procurement Strategy ensuring it continually supports the achievement of PFH corporate objectives and business plans;
- Provide oversight, leadership and direction in the implementation of procurement best practice across PFH as well as compliance with EU public procurement rules;
- Overseeing procurement and contract management to ensure they are operating effectively and that VFM benefits are fully realised;
- Making decisions in relation to value for money, risk management and major contracts.

4.1.2 Senior Management Team (SMT)

- Continued management of the 5 year Procurement Plan which determines category spend and timescales for all ongoing and future property related procurement activities;
- Challenge the processes of procurement projects to ensure compliance with EU public procurement rules and that potential risks are identified, documented and managed appropriately;
- Ensure that optimum value for money is the key focus of procurement projects and ensure that cost and process efficiencies are measured, documented and reported;

- Measure and document the achievement of social value delivered through supplier relationships;
- Monitor the relationships and performance of strategic suppliers;
- Ensure that option appraisals are robust and challenging.

4.1.3 Line Managers

- Take responsibility for procurement in their services in accordance with the policies and procedures adopted by PFH locally as well as EU public procurement rules where appropriate;
- Ensure that potential risks of procurement projects are identified, documented and managed appropriately;
- Ensuring that staff members in their areas of responsibility who are engaged in any form of procurement activity are equipped with the right level of skills and commercial understanding;
- Report cost and process efficiencies derived from procurement activity to the SMT;
- Incorporate continuous improvement measures into all contracts and measure the effectiveness of those measures;
- Monitor the performance of key suppliers and contracts in their areas of responsibility.

4.1.4 Staff involved directly in procurement

- Follow the policies and procedures adopted by PFH and EU procurement rules in the procurement of goods, works and services;
- Conducting relationships with suppliers and partners in an appropriate manner to promote PFH in a positive manner.

4.1.5 Resident Involvement

- Residents will continue to be included on tender and supplier selection panels where there is a direct impact on residents or where it is judged by Line Managers and the SMT to be appropriate.

5.0 Our Approach

5.1 Strategic Categories

PFH Procurement Strategy will be supported by category strategies for categories with high spend levels, namely Development, Repairs and Cyclical Maintenance. Category Management in procurement is a strategic approach that focuses on the vast majority of an organisation's spend on goods and services with third party suppliers. Category Management is the practice of segmenting the main areas of spends into discrete groups of products and services according to both their function and, crucially, how the supply markets are organised.

This approach will involve robust procurement processes, strong supplier management disciplines, regular review of service performance and wider marketing scanning to understand how comparator organisations are delivering such services and opportunities for innovation.

A category approach to these areas will enable SMT and Line Managers to enhance their expertise within the respective category areas that are critical to PFH and its residents. Increased knowledge and understanding of market forces, best practice, legislation and innovation brings added value directly to PFH.

5.2 Non-strategic Categories

There are a range of non-strategic categories of spend within PFH. These categories range from Insurance and Utilities through to IT and Marketing Services, each with varying levels of spend.

Each category of spend will be led by the most appropriate Line Manager with input from other internal and external stakeholders as appropriate.

The Line Managers will be responsible for:

- leading procurement projects
- liaising with internal and external stakeholders on their specific requirements where required
- generating and reporting cost and process efficiencies
- documenting and managing potential risks
- supplier and contract performance management where required
- developing market knowledge where appropriate

5.3 Measuring and Reporting Cost and Process Efficiencies

The effectiveness of any category strategy is measured by the cost efficiencies generated as well as any improvements in both quality and service. It is important to be able to measure and report a wide range of possible scenarios with regard to cost efficiencies and to do it in a form that will be understood by all concerned and those that are instrumental in generating the efficiencies are fully recognised. The standard methodologies contained within the supporting Procurement Procedures document will be used to provide guidance when measuring cost and process efficiencies.

5.4 Management Information

The development of good quality management information is an essential element in making more informed procurement decisions.

5.5 Supplier Rationalisation

Supplier rationalization commenced in 2012/13. A continued co-ordinated approach across all categories by Line Managers will continue to reduce the number of suppliers PFH trade with to a more manageable level will not only drive improved pricing through aggregation, but also savings related to supplier management and invoice processing costs.

5.6 Localism and SMEs

When undertaking procurement activity consideration will be given to the nature of the specific markets, availability of suppliers and the most appropriate method of procuring the product / service. In some instances the aggregation of spend with a large nationwide supplier can lead to improved prices or levels of service, in other market instances local deals with small local suppliers can represent better value.

PFH will consider their importance to local businesses when conducting any procurement exercises as a shift away from a supplier could potential have a significant impact due to the dependence on PFH revenue, a factor that should be assessed as part of risk management in the early stages of any procurement project.

5.7 Joint Ventures

Joint ventures are opportunities for independent venturers to co-operative for a common purpose. The company would be support PFH's charity commission objects, be a separate legal entity and would need to employ it's own staff, occupy property etc. There are benefits to setting up such arrangements, particularly for the longer term, but a business case and due diligence would be produced in the first instance to weigh up advantages and disadvantages prior to engaging in this activity.

5.8 Frameworks

Due to the absence of a dedicated procurement function within PFH and the nature of the goods and services provided through many categories, framework agreements often represent the most efficient method of procurement. PFH will research various framework organisations to determine the most appropriate and then identify these categories of spend and run mini-competition exercises where appropriate to test the market in a competitive and compliant manner.

This approach will not only prevent supplier and framework provider complacency but will also release internal resource within PFH to focus on the strategic spend categories as well as day to day responsibilities within their respective job roles. As a smaller Housing Association, PFH will benefit from the aggregated volume and preferential terms framework agreements can offer, along with compliance with EU Procurement Directives.

5.9 Invoice Processing

PFH will actively target and work with suppliers to reduce the volume of invoices currently being processed. This approach will bring benefits to both PFH and the respective suppliers in terms of reduced administration and processing costs.

The approach will be collaborative and consideration will be shown towards the size and capability of suppliers on a case by case basis. As part of the process the speed of providing data to PFH and the level of detail included will improve.

6.0 Supplier Relationship Management

6.1 Supplier Selection

Critical to good supplier selection is a well-defined and produced specification for the products and services required. It can be based on a highly individual and customised (e.g. required for a very specific IT solution) or an industry standard specification (e.g. for some property systems such as heating or some works), whichever is most appropriate. The procurement procedures will provide a checklist and a template which can be used to develop and produce a specification of requirements.

Employees undertaking procurement exercises will follow the procurement procedures relative to the “type” of procurement activity they are undertaking, and utilise the templates provided to drive a consistent approach to procurement within PFH whilst maximising value for money, service quality and compliance.

Where appropriate key performance indicators (KPIs) must be established with suppliers that are relevant to the goods and services supplied. The KPIs must then be written into the contract and used in the on-going performance management of the supplier.

6.2 Supplier Classification

The PFH approach to supplier management will be dependent on the importance of the individual supplier relationship. Using a Risk / Value matrix, as highlighted in figure 1, will enable PFH to categorise suppliers and subsequently manage those relationships in an appropriate manner in accordance with the supporting Procurement Policies and Procedures.

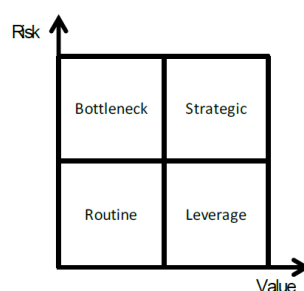


Figure 1

6.3 Strategic Suppliers and Performance Management

Strategic suppliers are defined as those suppliers that would have a serious detrimental effect on the operation or financial wellbeing of PFH in the event that they perform poorly or whose financial status is such that they are either forced into administration or bankruptcy. Criteria will be established and published in the procurement procedures and used by Line Managers to identify those suppliers that will be reclassified as strategic suppliers.

Those identified as strategic suppliers will be the subject of increased performance monitoring and management by Line Managers.

In general, strategic supplier relationships shall be:

- Actively managed and monitored for a continuously beneficial relationship, from both a financial and operational perspective.
- Governed under a formal and robust contract, incorporating SLAs where appropriate.
- Continually monitored for risk mitigation, e.g. regular supplier appraisals or credit checks.
- Adopt a philosophy of continual improvement and the delivery of social value.
- Relationships should be maintained across the organisation.
- Ensure the suppliers understand PFHs organisational strategy, and support delivery of this.
- Regularly tested to ensure absolute price competitiveness through competitive procurement exercises and planned benchmarking.

6.4 Non-Strategic Suppliers and Performance Management

Non-strategic suppliers must also be managed and monitored in a way that reflects their importance to PFH. Guidance in relation to the PFH approach is provided in the Procurement Policies and Procedures documentation.

In general these relationships should be managed and measured in the most efficient way, whilst ensuring the supplier relationship continues to deliver value for money.

7.0 Contract Management

7.1 PFH Terms and Conditions

PFH have implemented a suite of standard templates designed to cover most eventualities and a policy that wherever possible PFH's standard terms and conditions will be used when trading with suppliers.

All contracts will be negotiated and established on the basis that they can and will be renegotiated in the future to accommodate expansion of the business and leverage maximum value.

7.2 Changes to PFH Terms and Conditions and alternatives

In areas of the business where industry standard forms exist such as Joint Contract Terms (JCT) or Term Partnering Contracts (TPC 2005 (amended 2008)) and where sufficient protections for PFH can be demonstrated the use of such forms may be permissible with the approval of the SMT.

Any changes or alternatives to PFH's standard terms and conditions must be reviewed by PFH's legal advisers and authorised by the SMT prior to their agreement with the supplier.

7.3 Contract Management

All supplier contracts will be reviewed annually within the business and with suppliers to ensure that they are in line with business requirements and if not, they are renegotiated or retendered as appropriate.

7.4 Contracts Register

The Contracts Register is located centrally and electronically under the Team Sharing area of the Computer Drive and is updated on an ongoing basis. This will ensure compliance across PFH and will be actively managed to track contracted and non-contracted spend on a regular basis. This process will support a robust approach to risk management in procurement.

8.0 Training and Development

8.1 Specific Training

It will be the responsibility of the SMT Procurement Lead to instigate a general awareness among all staff with regard to procurement best practice and the concept of value for money (VFM).

PFH will monitor and implement the appropriate level of training for board, staff and residents, subject to requirements, for those involved in procurement within the organisation.

9.0 Policies and Procedures

9.1 Procedural and Guidance Documentation

Current financial regulations set out procedures and authority levels relating to all types of procurement. Those regulations accord with statutory and other regulatory requirements including those of the:

- HM Government
- Homes and Communities Agency
- European Community.

To ensure a consistent approach across PFH a set of procurement procedures will be produced and distributed to those engaged in procurement activity along with guides for specific topics and processes.

All documentation will be held in an accessible location to all employees that may be involved in a procurement exercise.

9.2 Complementary Strategies, Policies and Guidance

The procurement Strategy should be read in conjunction with the following:

- PFH Financial Regulations 2016
- Value-for-Money Strategy 2016-19
- Resident Involvement Strategy 2016

9.3 Risk Management

All procurement projects should be subject to an early identification, quantification and subsequent management of risk so that risk is retained or transferred to the party who can manage the risk most effectively. This analysis should be completed in line with PFH's existing risk management processes.

Minimising the impact of risk will be conducted through the following activities (this list is not exhaustive)

- Operation of procurement procedures that take into account the value, complexity and risk profile of the purchase
- Templates to guide the procurement process and ensure all required elements are given due consideration
- Contract register management
- Procurement training
- Supplier management including regular credit checks