

Procurement Strategy

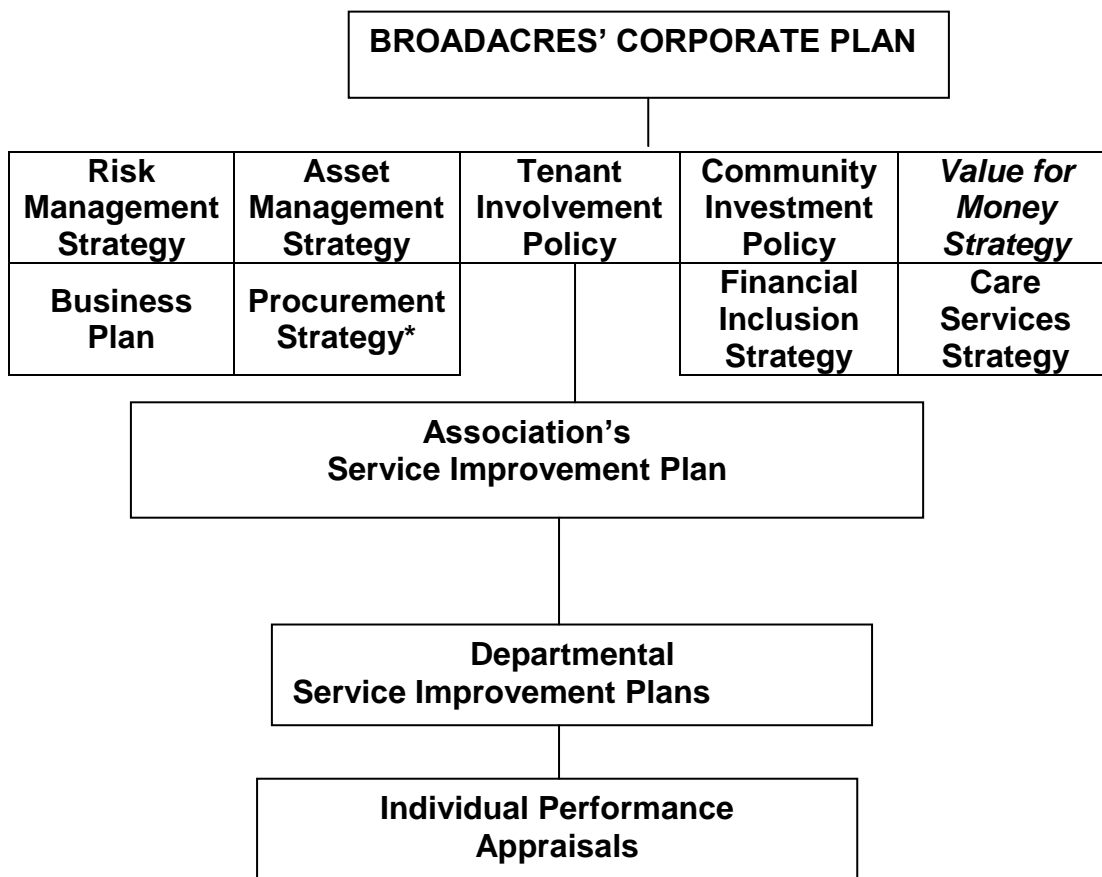
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1. Executive Summary

1.1 Procurement and the Corporate Plan

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- This Procurement Strategy sets out a framework for achieving best value when procuring goods and services.
- The Service Improvement Plans determine the priorities for improvement throughout the association, and have regard to both customer priorities and best practice together with details of the resources required. The procurement strategy is linked to other Corporate strategies as set out below:



A key influence on the procurement strategy are our corporate vision, mission and values are these are set out below

Corporate Vision, Mission and Values:

Vision 'To deliver an individual service which makes a real difference to people's lives'.

Mission *Through a committed, enthusiastic and skilled workforce, working together, we deliver:*

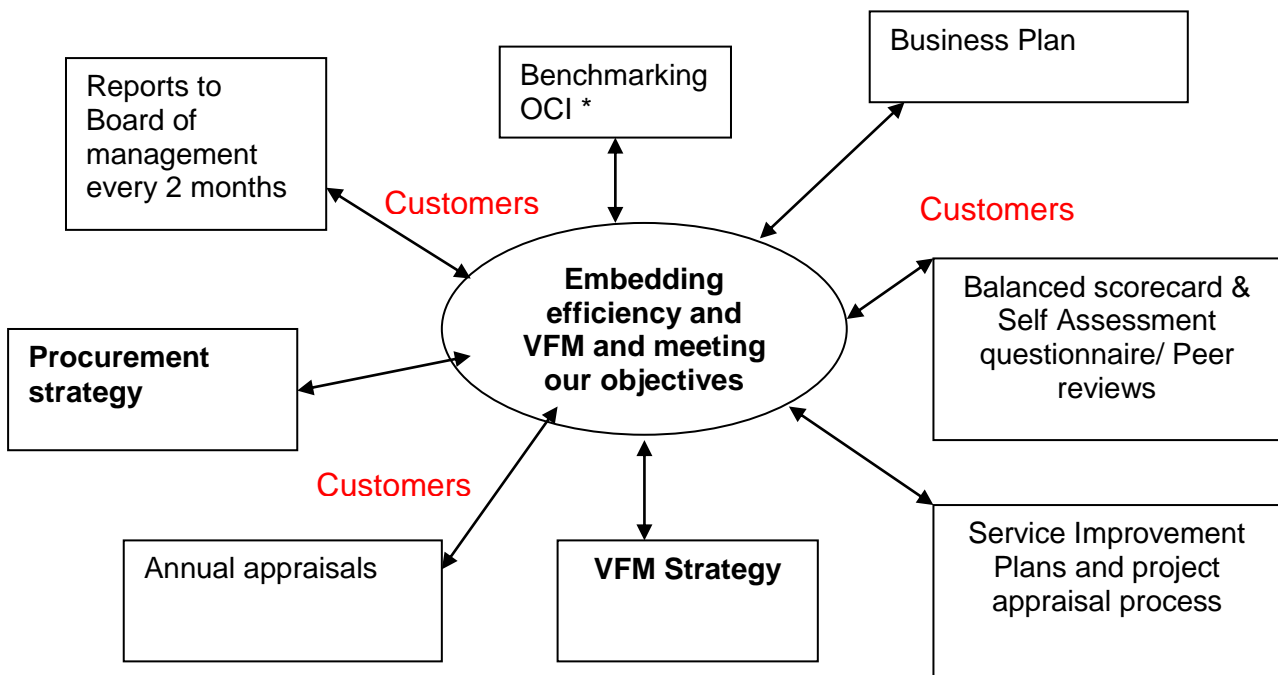
- Homes people want to live in
- Customer driven services
- Value for money
- Wider community investment through partnership working, and
- Environmental responsibility.

Our core values in providing our services are:

- Be approachable, accessible, fair and honest;
- Value and respect equally the contribution of all people;
- Involve customers in all aspects of our business;
- Be environmentally responsible;
- Keep promises and commitments;
- Expect the highest standards from our own staff and those acting on our behalf.

1.2 The aim of this procurement strategy is to build on Broadacres' strengths in procurement practices and address identified areas for improvement. The strategy has been developed within the framework provided by the organisation's Business Plan, financial regulations and standing orders and takes account of continuous improvement principles. It includes an action plan for implementation of best practice in procurement for Broadacres.

1.3 The Association is determined to embed efficiency and value for money throughout the Association and the procurement strategy is one strand of a number of initiatives to link our Business Plan, Service Improvement Plans, regular performance management and the evaluation of our services against best practice. This is underpinned by the involvement of staff, but more importantly customers and customer priorities as illustrated below.



The strategy assists the Association in meeting Tenant Services Authority (TSA) Regulatory Guidance, which states that Housing Associations must aim to deliver continuous improvement and value for money in their services. The procurement strategy is closely aligned with the Value for Money strategy and specifically seeks to achieve the Efficiency and Economy objectives.

1.4 Broadacres' objectives for procurement are:

- To ensure that the procurement process is simple, clear and focused upon achieving value for money and quality.
- To ensure that procurement options are chosen in line with the Association's aims and objectives as set out in the Business Plan.
- To maximise efficiency through the use of I.T. and changes to business processes.
- To ensure that in choosing the best value procurement method, the process of balancing cost against quality and community benefit is made in a transparent way and supported where appropriate with clear evidence.
- We will also consider Agenda 21 which is an action plan for sustainable development for the world in the 21st century. It was drawn up at the Earth Summit in Rio in 1992. There are many definitions for sustainable development but a good one is *"meeting the needs of the present without compromising the ability of future generations to meet their needs"* In other words, a process of social and economic development that can be sustained, not one that will ruin the world for our children. The procurement strategy will be implemented in conjunction with the Associations Environmental and sustainability policy to achieve these aims.
- The Senior Management Team reviews the procurement strategy annually and present a report on the progress against the action plan to the Board of Management.
- This will ensure current procedures to meet the associations and service user's future needs.

1.5 In order to meet our requirements, we have already implemented a number of initiatives

- Investigated procurement options such as partnering and collaboration through consortia buying, identification of innovative ideas and suggestions and achievement of sector targets and deadlines. We are active members of Procurement for Housing (PfH) ,attending the national conference and contributing to the development of the supplier portfolio. PFH offer a range of services, which helps contribute towards our efficiency gains. Specific savings in electricity costs have been realised by using their approved energy -brokers, The Monarch Partnership.
- We are reviewing our membership of the Synergy Partnership to ensure that we are still receiving Value for Money in the

development process. Working with other Associations we also hope to utilise our joint buying power to make savings in other services areas such as insurance, training and internal audit as well as risk management services.

- We are reviewing our membership of the Synergy Partnership to ensure that we are still receiving Value for Money in the development process. Working with other Associations we also hope to utilise our joint buying power to make savings in other services areas such as training and repairs components.
- We produced a comprehensive procurement manual in conjunction with staff at all levels. The manual not only provides a useful reference point for staff wanting to make purchases, but also provides advice on best practice and VFM.

2. Introduction

What is procurement?

2.1 Procurement refers to the overall process of acquiring a product or service. Depending on the circumstances, it may include some or all of the following:

- identifying a need,
- specifying the requirements to fulfil the need
- identifying potential suppliers
- requesting bids and proposals
- evaluating those received
- awarding contracts or purchase orders
- tracking progress and ensuring compliance
- taking delivery, and ongoing monitoring of the quality of the services provided.

2.2 A key requirement of procurement within the Association is about securing services and products that best meet the needs of our customers and the local community in its widest sense. This strategy provides a common framework within which all procurements should be managed.

2.3 Broadacres will ensure that it procures supplies, services and construction works that represent the best value for money by:

- adopting the life cycle approach to the assets or contract.
- applying effective and up-to-date procurement procedures.
- ensuring procurement helps deliver Broadacres' key objectives.

The Association also needs to ensure compliance with all legislation and good practice as well as achieving best value.

- 2.4 With the implementation of phase 1 of the new fully integrated Housing Management system in April 2009 Broadacres has commenced the process of reviewing all business practices and highlight opportunities for further efficiencies. These will be monitored via the outcomes expected from each phase.
- 2.5 The Association's Value for Money Group which is led by service managers and consults with relevant staff from all departments and at all levels within the Association is the key group who drive the modernisation and monitoring of procurement within Broadacres.
- 2.6 The purpose of this strategy is to communicate clearly to all operational managers, supervisors and directors, Broadacres' vision for the way forward in its procurement of services, supplies and works so that all may play a meaningful role in the implementation of that vision.
- 2.7 The strategy itself is laid out in three sections as follows:
- Section 3 - outlines how procurement is currently managed within Broadacres.
 - Section 4 - sets out a procurement policy to guide the procurement strategy and the best value processes put in place to support it.
 - Section 5 - identifies priorities for further action and an action plan for implementation Association wide.

3. Current Arrangements

- 3.1 This part of the document explains:
- how procurement is currently organised within Broadacres;
 - how much Broadacres spends on procurement;
 - how it is spent;
 - who spends the money.

How procurement is currently organised in Broadacres

- 3.2 Procurement of services, goods and assets is documented in the Procurement manual and regulated by standing orders, financial regulations and in Finance, Housing and Development procedure manuals. (All these are available to staff and board members on the intranet).
- 3.3 BHA devolves responsibility for the procurement of goods and services to individual departments of the Association. There are three area offices, as well as the headquarters. However, all accounting transactions are processed in the Association's Finance Department located within headquarters. A simplified version of the procedure to be followed from

ordering supplies to invoice payment is as follows but staff should consult the Procurement Manual if in doubt.

- Each Department completes purchase order forms. These orders are sequentially numbered, controlled and issued by the Finance department.
- The person requesting the goods or services signs the order. Approval is sought from the budget holder PRIOR to the order being placed.
- When goods or services are ordered staff responsible for ordering should consider how they would ensure they receive value for money. They should imagine that they are purchasing the goods for their own use from reputable suppliers and apply the same principles when purchasing on behalf of the association.
- Goods or services are received by ordering department.
- Goods or services are checked against order and delivery note.
- All invoices are received into the Finance department and checked for validity.
- The invoice is then coded and registered on to the purchase ledger. The invoice is then forwarded to the budget holder for authorisation.
- Authorised invoices are returned to the Finance department with a copy of the order form attached and then the invoice is authorised on the purchase ledger.
- Finance management control checks are carried out prior to payment of invoices. eg Invoices are checked for correct authorisation before being authorised on the purchase ledger. Immediately prior to paying the invoices a further random selection of invoices, approx 10%, are checked by a Finance Assistant for accuracy. Any payment in excess of £5,000 requires two signatures and payments in excess of £10,000 must be authorised by at least one director. No single person has responsibility for the processing of an invoice to the signing the cheque for payment.

3.4 This system will continue to be reviewed as part of the implementation of our new IT system which commenced in April 2009 and as part of the regular review of the Procurement manual. It is hoped that in future that much of the processes identified above will be able to be carried out electronically.

How much Broadacres spends on procurement

3.5 Broadacres' major contracts are currently obtained by competitive tender and a full register is readily available with details of all tenders. There is a procedure currently in place setting out timetables for tenders to be submitted. Tenders are safely secured until the closure time and deadline date for tenders to be submitted has lapsed. As a member of Procurement for Housing, we try to use where possible contractors and suppliers registered with this body thereby removing the tendering

function from Broadacres as Procurement for Housing suppliers/contractors will have already been through a tendering process.

3.6 Broadacres does not currently identify the direct cost of procuring goods and services by recording how much time each employee spends in the procurement process when an order is placed. The labour costs of requisitioning, ordering, authorising, receipting and approving payment for a single order are collected by identifying the percentage amount of time each employee spends on various functions throughout the business. This information is then used in our allocations model. As mentioned above we are intending to streamline some of our procedures by introducing e-requisitioning.

3.7 In 2008/09 Broadacres' expenditure on various areas (excluding payroll costs) was £8.24m. This sum was spent as follows:

• Day to Day (Responsive) Repairs	£2.136m
• Management Expenses (excl; depreciation)	£2.188m
• Major Works	£2.653m
• Cyclical Repairs	£1.263m
• Total	£8.240m

3.8 An analysis of Broadacres' expenditure in 2008/09 on goods, works and services revealed that during the year over 15,900 invoices were processed on the purchase ledger. We have been steadily increasing the number of payments made by BACS to reduce the cost of producing cheques. All of our main suppliers are now paid by BACS and this is also encouraged for all one off payments to suppliers/tenants. Leading to 45% of one off payments being made by BACS.

How are goods and services procured?

3.9 The category of work that accounted for the largest share of the 2008/09 costs was in respect of estates costs.

Category	Amount Spent	How Procured
Major Repairs		5 year partnering contract agreed in 2008 – in 2010 3 partners reduced to 2. Negotiated inflation proofed increases.
Cyclical Repairs		Traditional tendering for various trades.
Day to Day Repairs		Procured via traditional tendering and thereafter a partnership framework agreement was signed.

The categories of expenditure that accounted for largest share of the 2008/09 £2.504m spend on our management expenses is shown in table 2 below:

Table 2

Category	Amount Spent	How Procured
Recruitment	£99,000	Adverts placed with agency that secure us savings on fees.
Telephony	£139,000	New mobile contract negotiated June 2008.
Postage	£34,000	Procedures revised to encourage second-class postage and correct envelope sizes..
Lifeline	£105,000	Reviewed annually via Northern Housing Consortium.
Motor Vehicles	£98,000	Leasing arrangement with Arval – contract due for review August 2011.
Travel & Subsistence	£110,000	Rates limited to FPCS and lump sum mileage allowance discontinued. Review planned for Aug 2009.
IT maintenance & consumables	£414,000	Annual maintenance costs.
Insurance	£166,000	Reviewed annually and currently have a 5yr long term contract .
Bank Charges & Rent Collection	£42,000	Reviewed annually charges kept at previous levels.
Utilities	£102,000	Reviewed May 2009 and PfH approved consultant employed..
Rates	£41,000	Rates set by local authority – charity exemption received where appropriate.
Audit Fees	£47,000	Normally tendered on a 3-5 year cycle.
Publicity & PR	£138,000	Annual report. Tenants Newsletters published 4 times a year cost reviewed on a regular basis.
Printing & Stationery	£93,000	Stationery procured via Procurement for Housing (Office Depot).
Legal / Consultancy & Subscription fees.	£127,000	Tendered on a regular basis.
Training & Conferences	£88,000	Association's & employees requirements reviewed by HR dept.

Cleaning	£106,000	BHA in house service replaced expensive contractors
Tenant involvement	£73,000	Budget holder programme requests
Total management expenses	£2,188,000	

How is procurement monitored ?

- 3.10 The majority of the procurement and management of major contracts and day-to-day repairs are carried out by a number of staff in our Housing Services Department i.e. Director of Housing Services, Housing Services Manager, Business Development Manager, Asset Manager and Senior Property Surveyors.
- 3.11 Management Expenses – These are controlled by various budget holders throughout the organisation e.g. Training budget is controlled by the Human Resources Manager.
- 3.12 Monthly budget monitoring ensures the control of spending is monitored on a regular basis. Budget holders receive monthly budget holder statements and monthly management accounts are presented to the senior management team. The Board receives a financial performance report at each meeting. These are currently held six times a year.

4. Procurement Policy

Purchases – Excluding Estates Management Contracts

- Capital assets, (examples are items of office equipment, furniture & fittings and IT that the business uses to run its services) currently in excess of £1,000, should have where possible three quotes and authorisation approved by the Director of Finance or Managing Director.
- For other non-capital items or services 3 fixed price quotations should be sought for all work in excess of £5,000. If three prices cannot be obtained full details as to the reason why must be given.
- All procurement should meet the above requirements unless it is agreed by the management team that there is a justifiable reason for not using these procedures.
- Purchase requirements in excess of £20k should only be made following the completion of the Project Management Process currently in place.

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 including equal opportunities and managing diversity.

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.

Equality & Diversity

- All procurement methodologies must comply with our single equality scheme. All potential contractors are to be made aware of our policies regardless of the size and ethnicity of ownership. We should ensure that all contractors are aware of and can meet the needs of all of our service users when procuring services.

Workforce Implications

- Any procurement or partnership that potentially involves the transfer of staff who are currently employed by BHA shall, as far as legally possible, fully protect the current terms and conditions (TUPE Transfer Undertaking of Protected Employment) employment of such staff so that they continue to enjoy good employment practices.

Delegated Authority

- To have clear written procedures for the delegation of authority from the association's board to appropriate employees of the association that cover all aspects of procurement including financial limits of authorisation.

Suppliers and Contractors for Estates Management

- To only use contractors from the Association's approved list or registered on Construction line. The list is reviewed annually and agreed by the association's Board of Management. Any additions between reviews must also be agreed by the Board of Management.

Consultation with Customers

- Procurement methodologies should ensure that we consult our customers on the most appropriate method to meet their priorities. We should also, where

possible, seek to include our customers on interview panels when contractors and consultants are being selected.

5. Priorities for further Action

These are detailed in the action plan.

