

PROCUREMENT STRATEGY

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1 INTRODUCTION

- 1.1 This Procurement Strategy delivers SHG strategic aims by procuring goods, works and services in a way that represents value for money. It ensures legal compliance, focus' on customer service, secures value for money, supports local economic development and delivers wider social value.
- 1.2 Procurement is "*the process of acquiring goods, works and services, covering acquisitions from third parties and from in-house providers. The process spans the whole life 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 in the provision of services in-house in appropriate circumstances*"¹.
- 1.3 SHG is growing and diversifying into different sectors and areas of work. The commitment to deliver outcomes for customers remains constant but SHG faces additional procurement complexities that will need to be resolved. This includes balancing the public procurement requirements with commercial ventures and being proactive in identifying solutions.

2 CONTEXT

- 2.1 The operating environment for all public bodies has changed dramatically over recent years and financial resources are stretched more than ever before. By maximising efficiencies and procuring in an efficient and effective manner, SHG will be able to deliver better and improved services to customers.
- 2.2 SHG is bound by public sector procurement law and the current legislation in place is the Public Contracts Regulations 2015. This law implements the 2014 EU Directive on public sector procurement.
- 2.3 The UK is set to leave the European Union on 31 October 2019. Whilst existing law will continue to remain in place, there are a number of uncertainties. It is unknown whether the UK will, in the future, still need to advertise opportunities across the EU. As a consequence this Strategy may have to be updated within three years, when the implications of Brexit are known.
- 2.4 The procurement thresholds for OJEU² tenders will be rebased in January 2020 and it is unknown whether the UK will have more flexibility over these thresholds. However, as the UK is a signatory to the World Trade Organisation procurement principles it is expected that any future domestic legislation would continue to be in line with existing laws.

¹ National Procurement Strategy for Local Government in England (2014)

² A tender must be advertised across Europe where the total value of the contract exceeds £181,302 for goods / services / supplies and where it exceeds £4,551,413 for works.

2.5 There are a number of other key policy and procedural documents, which support this Procurement Strategy. These are:

- Contract Procedure Rules;
- Scheme of Delegation (related to both financial and governance); and
- Financial Regulations.

These are regularly reviewed and available to all staff on the intranet: The HOG. Alongside this, there are a range of template documentation and pre-defined workflows within the Pro Contract system.

2.6 The approach to procurement supports SHG's Mission and Aims. By having an effective procurement service, people work together to deliver transformational services, in partnership with contractors and suppliers. SHG's Mission and Aims are:

Mission: One Team, Transforming Lives

Aims:

- Be a great place to work
- Be accountable to customers
- Maximise efficiencies
- Reduce inequalities
- Build strong, collaborative relationships locally, regionally and nationally
- Improve the environment

2.7 An overarching Vision has been developed for the procurement service that supports the delivery on this Mission and Aims. This is:

“to ensure that our resources are spent in a responsible, compliant and efficient manner to deliver the very best services to our customers”.

2.8 This Vision is supported by the following Aims:

- To maximise the benefits from spending resources with third parties to meet the SHG aims, objectives and corporate plans.
- To demonstrate value for money at all times.
- To support the delivery of innovative solutions leading to high quality services being delivered to all customers
- To ensure that there is a consistency in approach across SHG
- To maximise social value and local impact within the Borough
- To ensure managers undertake procurement in the correct way.

2.9 The Regulator of Social Housing (RSH)'s Governance and Financial Viability Standard states that providers should *“manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk”*. This Procurement Strategy contributes to that requirement.

3 PROCUREMENT DELIVERY MODEL AT SHG

- 3.1 Specialist corporate procurement advice is delivered centrally ensuring compliance, support and up to date corporate documentation and templates. A central Contract Register is maintained and monitoring of spend and the portal system: Pro Contract. Service Managers are responsible for undertaking the procurement and lead the process.
- 3.2 This model has been in place for many years and works well. Managers know their service areas in more detail and have the expertise / technical knowledge to develop high quality specifications. They develop a close working relationship with contractors and suppliers following award of the contract.
- 3.3 As SHG grows and evolves, this approach will be reviewed and consideration given to whether it is fit for purpose in all areas of the business³ including the level of resources required. This is a particular focus for the commercial areas, such as Three Sixty and Repair 1st.

4 EXTERNAL FACTORS / DRIVERS

- 4.1 There are a number of external factors which influence the design and delivery of the procurement activities. These include compliance with EU Procurement Directives (2014) and the UK Public Contracts Regulations (2015), as well as OJEU⁴ tendering processes.
- 4.2 Other drivers include a requirement to consider / adhere to the following (depending on the nature of the contract):
 - Customer involvement
 - Leaseholder consultation
 - Value for money
 - Social value
 - Sustainability
 - Safeguarding
 - Modern Slavery Act
 - Living Wage accreditation
 - Equality, diversity and inclusivity
 - Working with SME's (small and medium sized enterprises)
 - Health and safety
- 4.3 These factors have been considered when developing the strategic objectives and actions within this Strategy. They form part of the Contract Procedure Rules, ensuring that consideration is given to all of these aspects when undertaking tender processes.

³ E.g. within the Property and Maintenance Services Directorate, there are already key individuals with procurement & tendering experience who lead activities within that Directorate

⁴ Official Journal of the European Union

5 STRATEGIC OBJECTIVES AND OUTCOMES

- 5.1 Following a review of the achievements within the 2016-19 Strategy and the current Delivery Plan objectives, draft objectives were formulated. These were presented to Leadership Forum for consultation and were further refined.
- 5.2 This Strategy has identified five key objectives, encompassing all aspects of procurement that are key to the needs of SHG. These are supported by a three-year action plan.
- **OBJECTIVE 1: EMBED THE ELECTRONIC APPROACH TO PROCUREMENT, MAKING THE BEST USE OF THE PRO CONTRACT PROCUREMENT PORTAL**
- 5.3 In Autumn 2018, an e-procurement system: Pro Contract was purchased. This is a wholly electronic portal used by many other companies both within Greater Manchester (GM) and nationally. This improves efficiency, reduces manual processes and ensures SHG is legally compliant.
- 5.4 All Tenders are now be advertised, managed and awarded through Pro Contract. There is also functionality for “three quotes” processes to be run via this system and these will be migrated into this portal. By using Pro Contract effectively, there will be resource efficiencies as everything is held in one place and visible to all involved.
- 5.5 The Contract Register will be managed through Pro Contract allowing for transparency of spend and ease of visibility for contract renewal dates. The reporting tools will provide instant data on tenders and contract values, supporting budget setting and forward procurement planning.
- 5.6 Training for staff in accessing and managing their procurement activities via the new system will be a priority in the forthcoming year.

Action	Outcome
Ensure managers are aware of the need to deliver all procurement activity through Pro Contract	All procurement is undertaken through Pro Contract with minimal intervention and in a legally compliant way
Transfer the Contract Register onto Pro Contract	Greater visibility of the supplier network and key data
Training of all relevant staff and ensuring they are supported when using Pro Contract	All procurement is undertaken through Pro Contract with minimal intervention and in a legally compliant way

Utilise Pro Contract to report on spend, contract efficiencies, re-procurement needs and contract savings.	Contribution to budget setting processed, resource planning, procurement forward planning (including joint procurement across Directorates where applicable) and identification of value for money savings.
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➤ **OBJECTIVE 2: DELIVER MORE INNOVATIVE AND COLLABORATIVE PROCUREMENT SOLUTIONS**

- 5.7 Collaborative procurement is made easier with the Pro Contract system. This resource will be utilised to its full capacity in linking with other GM Authorities and in particular SMBC. This will assist in providing better value for money and local outcomes for local people.
- 5.8 Frameworks and Dynamic Purchasing Systems (DPS)⁵ will be established, to meet business needs more precisely, leading to efficiencies. A Framework / DPS will manage a “call off” to a supplier, for a variety of different needs, in a much quicker way, without having to repeat lengthy and resource intensive procurement exercises each time.
- 5.9 Frameworks and DPS will be set up in a way that allows for collaboration with other organisations e.g. other housing providers and public sector bodies, including SMBC.

Action	Outcome
Establish effective Frameworks and DPS arrangements where appropriate to meet the needs of SHG	More efficient, effective and flexible solutions that deliver better VFM
Develop procurement solutions that can be used by other contracting authorities with the potential to share costs or receive commercial income	Increase commercial opportunities from effective procurement exercises and increased collaboration

⁵ A procurement framework is an agreement put in place with a provider or range of providers, in advance of a procurement need, that enables buyers to place orders for services without running lengthy full tendering exercises. A DPS is similar but must be wholly electronic and must allow new providers to join during the life of the DPS.

Undertake thorough spend analysis of contractors being used by more than one service area to ensure compliance is maintained and options to jointly re-procure / work in a more collaborative manner are considered.	Opportunities to deliver better value are identified and pursued for the benefit of SHG
Further develop working relationship with SMBC leads and STAR Procurement ⁶ (where appropriate for some Borough wide contracts)	Improved local service / outcomes and delivery of value for money

➤ **OBJECTIVE 3: COMPLIANCE WITH PROCUREMENT LAW AND SHG'S POLICIES ACROSS ALL GROUP FUNCTIONS**

- 5.10 Procurement is an area that is heavily dominated by legislation and it is vital that all procurement is legally compliant. This objective aims to review the right resources are in place to deliver effective procurement as the organisation grows and diversifies.
- 5.11 It is currently not fully known what impact Brexit will have on procurement law. Any changes will be reflected in an update of the Group Contract Procedure Rules. Thresholds for procurement are due to change from January 2020 and SHG should be notified of these in December 2019.

Action	Outcome
Review the approach to delivery of procurement within SHG and whether there are sufficient resources in place	Having the right procurement expertise and resources in place to meet the demands of SHG.
Continually review impact of Brexit and prepare for changes to procurement law and communicate these to Managers	Compliant approach to procurement at all times

⁶ STAR Procurement is a shared service by which the Council's procurement function is delivered (alongside that of Trafford, Tameside and Rochdale Council's). SHG do not qualify to make use of STAR Procurement's services unless they are paid for.

Update the Contract Procedure Rules to allow for impact of Brexit, reflect new thresholds and ensure its still fit for purpose	Improve efficiencies of approach and ensure compliant procurement at all times
Utilise the “business case” functionality in Pro Contract to mandate authorisation of process from ultimate contract signatory (as per Financial Scheme of Delegation)	Improve efficiencies of approach and ensure compliant procurement at all times
Utilise functionality within Pro Contract to mandate the uploading of key supplier documents, for example, an E&D Policy / Strategy	SHG’s policies and requirements are adhered to by suppliers at all times
Deliver training / workshop for Contract Managers in relation to E&D and procurement	More knowledgeable contract managers ensuring higher levels of customer care from suppliers
Identify procurement specialists which could be utilised to deal with complex / difficult procurement exercises	Correct external support is available as and when needed
Ensure the Teckal ⁷ exemption is applied correctly and is monitored regularly (obtain legal advice as needed)	Compliant approach to delivering against the Regulations in relation to awarding work as an in-house company.
Ensure the electronic Contracts Register remains up to date and leads to the development of a Procurement Programme	Clearer understanding of upcoming procurement exercises and better defined specifications through contract management meeting notes.

➤ **OBJECTIVE 4: MAXIMISE THE IMPACT OF EXTERNAL CONTRACTS, ENSURING POSITIVE OUTCOMES ARE ACHIEVED AT ALL TIMES**

5.12 Delivering Social Value is an important consideration when procuring goods and services. The Corporate Social Responsibility Policy and the Value for

⁷ The Teckal exemption (now codified in law) allows a contracting authority (e.g. SHL) to award a contract to an internal company (e.g. Three Sixty) without the need to publicly advertise the opportunity, therefore bypassing some aspects of the procurement legislation.

Money Strategy both compliment this Strategy in terms of strengthening the approach to delivering Social Value. Social Value considerations are set between 5% and 20% of award criteria, depending on the contract.

- 5.13 The Public Services (Social Value) Act 2012 places a duty on public bodies to consider social value ahead of any procurement activity. This means there is a requirement to consider, at the outset, how the procurement activity being undertaken may improve the economic, social and / or environmental wellbeing of the local area. External contracts must recognise the value and importance of SHG's commitment to investing in Stockport and supporting local SME's where possible, diversity and inclusivity (recognised through SHG's Stonewall Champion status) and being a Living Wage provider.
- 5.14 Managers undertaking procurement exercises pay particular attention to the award criteria they will use to evaluate the tenders received. This will include considering weighting particular questions and setting out how much of the available marks will be assigned to Quality and how much to Price. Generally, SHG operates on a 60:40 or 70:30 basis, depending on the specifics of the contract, but this approach is agreed with the person who will ultimately sign the contract in advance of advertising the opportunity. More information is provided in the Group Contract Procedure Rules.
- 5.15 As a customer focussed organisation, customer involvement will take place in the most effective way for each contract. In particular, where the procurement is directly related to a service received by customers, their input into the specification and selection will be an essential part of the process. The Customer and Community Engagement Team will support this process via their 'business partnering' approach.

Action	Outcome
Ensure standard procurement documentation / templates reflect requirements for Social Value and commitment to CSR Policies.	Consistent approach to added value in place and more social value evidenced and achieved
Consider where larger contracts can be split into lots to ensure opportunities are accessible to SMEs	More SME's able to participate in public procurement exercises via SHG and more SME's winning work
Design supplier days to assist SMEs in accessing larger procurement contracts	More SME's able to participate in public procurement exercises via SHG and more SME's winning work
Support procuring managers to include customer engagement in their pre procurement exercises.	Improved customer engagement in procurement exercises.

Analyse the impact of different award criteria used in contracts	Ensure value for money is maximised.
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➤ **OBJECTIVE 5: EMBEDDING EFFECTIVE CONTRACT MANAGEMENT ACROSS THE LIFE OF A CONTRACT**

- 5.16 A successful procurement exercise can easily be undone by poor contract management. Regular monitoring meetings with contractors will ensure a good relationship between the contractor and the manager, allowing for effective communication and achievement of value for money. These meeting are used to ensure the commitments within the contract award are fulfilled. This also includes value added areas subjects such as social value, diversity and living wage accreditation.
- 5.17 Contractors will be issued with key performance indicators (KPI's), that are reviewed on a regular basis and reported on and adjusted if required.

Action	Outcome
Ensure sufficient focus and resource is given to the post award period within procurement exercises to “on-board” a new supplier in a positive way.	Relationships and expectations are set out from the beginning to ensure positive working relationships
Create list of standard KPIs which could be incorporated into tenders and advise on any tender specific KPIs, as needed	High quality contract management data is monitored and challenged where performance not achieving satisfactory levels
Create a register of Social Value commitments and monitor delivery	Social Value delivered as per tender commitments
Survey suppliers on an annual basis to validate contractor information provided at tender stage (including equality, diversity and inclusion issues)	Assurance that commitments made at tender stage are being delivered across the life of the contract
Utilise Contract Management Meetings to ensure regular discussions on diversity and inclusion across the life of the contract.	Assurance over equality, diversity and inclusivity within contracts

Utilise Pro Contract to record contract management meetings and report on this	Better oversight of contract management activity
Advise Contract Managers on the use of variations in contracts	Allows for contracts to be utilised to their best ability throughout life of the contract.

6 CONSULTATION AND COMMUNICATION

- 6.1 A session was held with Leadership Forum in March 2019 to enable the strategic themes of this Strategy to be consulted on and also to seek new ideas. Further consultation was undertaken with Leadership Forum on the draft version of the Strategy over Summer 2019.
- 6.2 Benchmarking with other organisations was undertaken in the development of this Strategy. These activities have provided useful insight into the procurement model in other social housing providers, and where Stockport Homes can strengthen theirs further.
- 6.3 This Strategy will be available to all staff via the HOG (the SHG intranet) and will be promoted to budget managers by way of specific emails drawing their attention to the strategic themes, actions and proposed outcomes, as well as tailored training sessions.

7 LINKS TO POLICIES

- 7.1 This Strategy links to and / or supports the following other strategies and policies within the organisation:
- SHG Five Year Delivery Plan
 - Value for Money Strategy
 - Customer Involvement Strategy
 - Risk Management Strategy
 - Corporate Finance Strategy
 - Team Specific Business Plans
 - Contract Procedure Rules
 - Financial Regulations
 - Scheme of Delegation
 - Three Sixty Business Plan
 - Documents relating to delivery of a Group Structure
 - HRA Thirty Year Business Plan and Asset Management Strategy

8 ACTION PLAN

- 8.1 An action plan detailing all of the actions that will enable the strategic objectives to be met can be found at Appendix One.

9 MEASUREMENT, REPORTING AND GOVERNANCE

- 9.1 This Strategy will be reviewed on a regular basis and reports will be provided to Leadership Forum and Board on the achievement of the Aims of the Strategy.
- 9.2 Spot checks are being undertaken to verify compliance with procurement rules and ensure managers are all operating within the requirements for purchasing with public money.

10 OWNERSHIP, MONITORING AND REVIEW

- 10.1 The Procurement Strategy is owned by the Assurance Team. It will be monitored on an ongoing basis, particularly in terms of any changes to laws, regulations and best practice approaches. It will be reviewed every three years, or sooner if there is a business need for early revision.