

Procurement Strategy 2009-2014

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Procurement Strategy 2009 – 2014

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Foreword: Getting value from our procurement activity

Each year East Thames Group spends around £120m on goods, works and services. We need to make sure we get the best value for money for East Thames and our residents and customers. At the same time we are committed to providing quality services and forming good partnerships with our suppliers and contractors.

In the past few years East Thames Group has placed greater emphasis on procurement and partnering, and has had a number of successful initiatives. We've consolidated our security arrangement for the Group which led to an annual saving of 6% and we saved £105k by tendering our gas and electricity requirements for West Ham Lane. And most recently we've used this process to find one agency for care and support staff, replacing the previous 10 agency suppliers. The company selected demonstrated commitment to service, diversity and equality but has also delivered us annual savings of nearly £200k.

With the current economic climate challenging all organisations to be more efficient and financially astute, this strategy has been developed to build on our previous success and take our procurement activity to the next level.

At the strategic level we are committed to using procurement as a key tool for reducing costs, increasing quality and forming partnerships with good companies and contractors.

But this strategy is not just about the big spend items, like our repairs service or our development projects, it is also about raising the awareness of procurement and how we manage our money and suppliers throughout every level of the organisation.

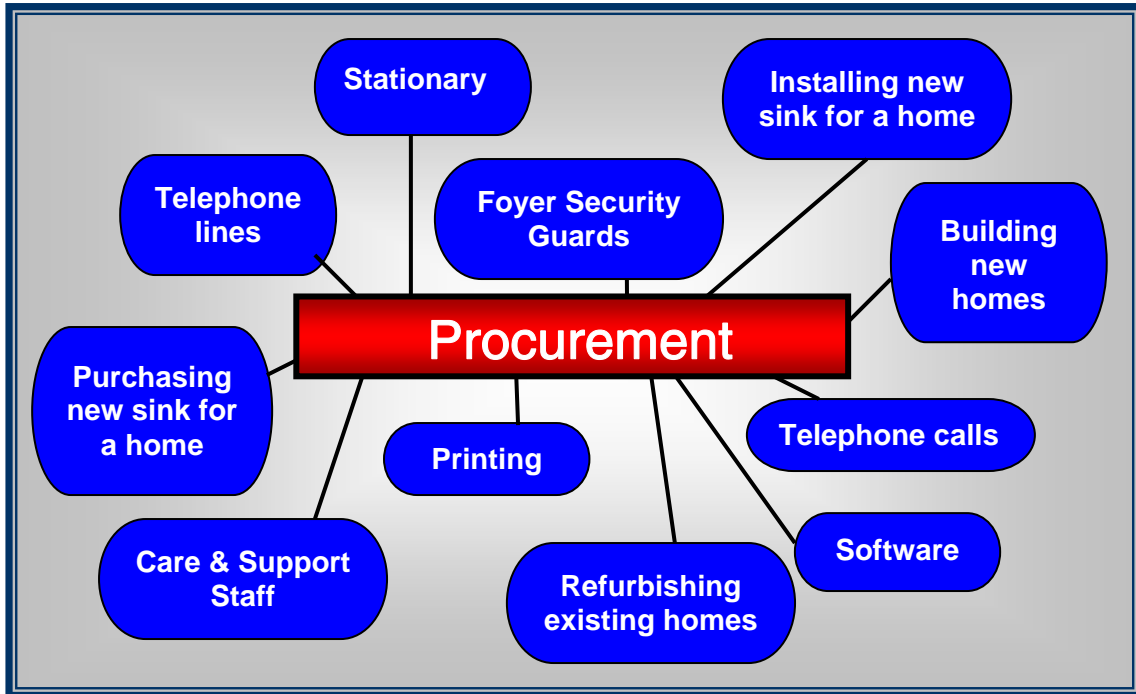
We are adopting what we call a 'centre-led' procurement strategy. What this means is that our small central procurement team will be pivotal in ensuring we have a consistent approach to our procurement work. They'll be helping to provide all the tools and training and advice for the organisation to deliver this strategy. But the responsibility rests within each of the directorates and teams for making sure we get good value from our procurement and partnering arrangements.

To deliver this strategy we have developed an implementation plan which highlights our immediate priorities and that will be updated at regular intervals partly to reflect the feedback that we receive from those involved in the procurement process throughout the Group.

I would like to thank the Procurement Steering Group, with members from each part of the Group, for their contribution to this strategy. The Steering Group will continue to support and monitor progress with the implementation of the strategy over the coming months.

Pamela Gardner
Director of Social and Economic Regeneration
Chair of the Procurement Steering Group

The Power of Procurement



East Thames Group (ETG) has a total annual expenditure of around **£120** million on goods, services and works. Every aspect of this expenditure is covered in some way under the term “procurement,” and includes everything from stationery to security guards in the foyers and care and support staff in our schemes; from the cost of our telephone calls all the way through to the supply and installation of a new kitchen sink in a resident’s home, and finally the development of new and refurbished homes for rent and low cost home ownership.

Procuring goods, services and works in the right way can mean the delivery of better services at a lower cost, or done in the wrong way it can mean overspending budgets, duplicating administration, poor service to both employees and residents, and in the worst instances it may leave ETG vulnerable to legal action from both residents and suppliers.

This strategy sets out a newly defined approach to procurement and what this means for East Thames. It will help promote a culture of team working across all groups and directorates, and will apply to every staff member in ETG involved in procurement activities.

Procurement and East Thames

1. Strategy statement

1.1 Our mission is “*to make a positive and lasting contribution to the neighbourhoods in which we work*”. Five themes support the mission and shape our current business drivers at this time, and strategic procurement is an essential element of each of them:

- To deliver excellent customer services
- To continually improve business performance
- To deliver value for money
- To improve controls
- Governance and accountability

1.2 Delivering excellent customer service

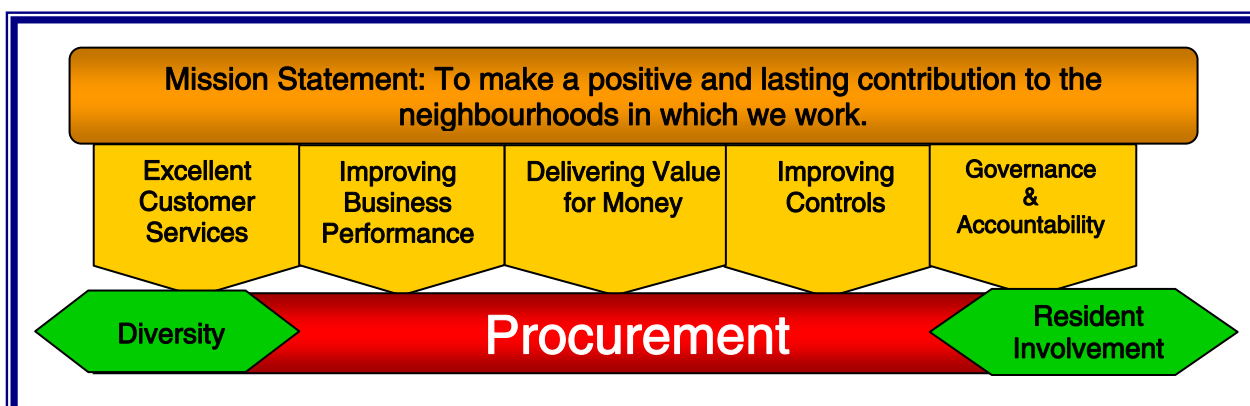
Excellence in procurement will help our residents benefit from quality homes and services, an important step in providing excellent customer services.

1.3 Improving business performance

Our approach to procurement will make our practices and services more efficient and effective through a centre-led procurement model. All staff involved in any aspect of procurement will have access to appropriate training and we will provide step-by-step guidance and toolkits to ensure consistent, controlled, cost-effective and regulation-compliant processes that will work to improve performance across the organisation.

1.4 Delivering value for money

The value for money strategy will play a crucial role in the procurement process, and will operate in partnership with this Strategy and the Directorate Procurement Plans. Value for money, which refers to the optimum balance of economy, efficiency and effectiveness, will be an integral part of all of our procurement actions and we will consider both the cost effectiveness of future activities and the use of existing resources to this end.



1.5 Improving controls and governance & accountability

A five stage “Gateway” approval process will be adopted on the basis that any procurement activity that requires the sourcing of a new supplier for a new requirement or the retendering of an existing requirement should be treated as a project and should follow a project delivery methodology that is both mandatory and auditable. This initiative will act as a “pilot” for the overall work necessary by the Group on project management as a result of the recent external review.

1.6 In addition to playing a significant role in each of the key themes, procurement also contributes to our commitment to diversity and resident involvement as well.

1.7 Diversity

All of our procurement practices will support our diversity policy so that, as a minimum, the Group meets current equality and diversity legislation. We will make sure that the contracts the Group awards are non-discriminatory and promote equality of opportunity. We will take our commitment to diversity further by aiming to ensure that the suppliers the Group works with are non-discriminatory and share our commitment to promoting equality of opportunity, and we will work with our partners and other suppliers to establish targets so that the Group can monitor and assess their performance relating to equality and diversity.

1.7 Resident involvement

Our residents are an important and invaluable resource to East Thames, and we will involve them and use existing information about our residents as much as possible in shaping and undertaking procurement processes. A draft resident involvement/consultation plan will be prepared for each project to identify the different stages of the procurement process and how customers may be involved with each of those steps.

2. Introduction to Procurement

- 2.1 “Procurement” is the process of buying goods, services and works from suppliers. The process covers the whole lifecycle of activities beginning with identifying a need, evaluating tenders, purchasing and ongoing contract management until the end of a goods or service contract, or the end of the useful life of an asset.
- 2.2 Procurement directly impacts the delivery of value for money and contributes to an 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.
- 2.3 Many public sector regulatory bodies - the Audit Commission in particular - have identified the importance of properly conducted procurement. A coherent, fit for purpose and documented strategy underpinning all procurement activity is an absolute requirement for high performing organisations.
- 2.4 A high quality procurement strategy will be an ever increasing requirement in order to secure government and other funding.
- 2.5 Good procurement practice will deliver a number of key benefits, in particular effective risk management and value for money. Examples of benefits that can be provided through procurement best practice are:
- A clearer governance framework
 - An improved control environment
 - Reduced purchased cost
 - Lower lifetime costs (for example: repairs and maintenance)
 - Improved quality and life expectancy
 - Simplified administration and availability of accurate management information
- 2.6 Effective risk management means ensuring that a number of risk management tools are built into the procurement process, for example: a review of the procurement options. This review would provide guidance on how to identify the procurement options available, and how to assess them. Another example of managing risk is to have a detailed project plan which includes all stages of the procurement process including timelines, responsibilities, resource needs and dependencies. The Risk and Compliance team and Internal Audit will have a key role in developing and monitoring effective procurement risk management tools.
- 2.7 Procurement planning and activity can be divided into two main areas: strategic and operational; plus a third supplementary area: enabling or support activities, which supports and informs the first two areas. See the diagram below.



- 2.8 The strategic part of procurement involves the sourcing of products and services in a way that conforms to and supports our corporate objectives, including the delivery of excellent customer services, continual improvement of business performance, delivering value for money, improving controls and enhanced governance and accountability.
- 2.9 The operational part of procurement involves day-to-day activity such as making sure all tenders are fit for purpose, maintaining a contracts database and monitoring contract compliance.
- 2.10 Support activities refer to actions which include expenditure analysis, benchmarking, market sector tracking and general compilation and analysis of management information. The Finance Directorate and ICT will have a key role in assisting the development and publication of expenditure and other management information relating to procurement activity.

3. Our Approach

3.1 The Group will adopt a centre-led procurement model through our Procurement Department, standardising processes and policies that will be carried out at directorate and department level. Centre-led procurement allows a consistent and strategic approach to procurement without the actual transfer of all procurement activity into a single department.

3.2 Governance and responsibilities

The Head of Procurement is the owner of the Procurement Strategy and reports to the Director of Support Services, with the division of procurement responsibilities split into three sections. Responsibilities for each section are highlighted in the table below.

Procurement	Procurement and Directorates*	Directorates
<ul style="list-style-type: none"> • Development and management of procurement tools and methodologies • Contracts database • Ensuring that East Thames effectively utilises its buying power • Defining general terms and conditions • Monitoring contract compliance • Expenditure analysis (with Finance support) • Vetting all tenders to ensure fitness for purpose 	<ul style="list-style-type: none"> • Supplier selection and appointment • Performance management • Benchmarking • Implementation of procurement activity in Directorate Delivery plan • Negotiate and sign agreements • Tender drafting • Management of contract expiration timetable 	<ul style="list-style-type: none"> • Business as usual Purchase Order placement • Definition of requirements for the procurement process (supported by the Procurement team throughout the transformation period)

** These responsibilities will be the exclusive responsibility of Directorates for all new contracts under £10k for goods, £20k for services and £50k for works. Expenditure authority for additional orders under an existing “call off” contract will be in line with current authority levels. In addition expenditure authority for a mini-competition within an existing framework agreement will be in line with current authority levels. A more comprehensive plan relating to gateway controls and processes will be detailed within procurement policies and procedures. These gateway controls and processes will be appropriately adjusted to take into account where a mini-competition is required within an existing framework agreement rather than a full tender process.*

3.3 **Monitoring of Strategy and Implementation Plan**

Monitoring of the Procurement Strategy and Implementation Plan will be assigned to the Steering Group (and successor group(s)), and to the Directorates as part of the Directorate Business Plans.

3.4 **Continuous improvement**

The Group is committed to continuous improvement, and will actively seek to enhance and develop the procurement skills of staff and improve procurement processes. We will achieve this by:

- Educating and informing the organisation as a whole in best procurement practice
- Implementing training for all staff involved in procurement within the organisation including:
 - Quarterly workshops to share best practice
 - Monthly procurement “Open House” session to discuss procurement matters arising
 - Provision of external training from Procurement for Housing (PfH) or the Chartered Institute of Purchasing and Supply (CIPS) subject to fitness for purpose/approval by the procurement and organisational learning and development departments
- Rotating Procurement Department Directorate responsibility occasionally to ensure that staff can broaden their portfolio of responsibilities and also gain wider exposure to their internal clients within East Thames

3.5 **Partnership sourcing**

The Group is open to the use of partnership sourcing routes and tools in the purchase of goods, services and works. We will seek to enter into existing framework agreements where it makes financial sense to do so.

The Group will seek to enter into collective purchasing agreements where it can provide us with better pricing and also more favourable terms than would otherwise be available.

Additionally, where partnership discussions offer opportunities to carry out benchmarking exercises with other organisations and RSLs, we will seek to do so.

3.6 **Innovation**

The Group will embrace innovation as a key operating requirement, and this will be included in all published documentation, particularly in the procurement business cases. Practical advice in the form of a toolkit will also be developed.

3.7 **Sustainability**

The Group will, where appropriate, build into all supplier selection documentation a requirement for suppliers to submit a statement of their 'green credentials' in terms of objectives, action plans and timescales. Statements will form part of the scoring process used to short-list for an invitation to tender. These statements will be expected to include the training and employment opportunities offered if the supplier is successful.

3.8 **Diversity**

The Group will take our equality scheme and diversity policy statement into account when undertaking all procurement activity, including our approach to supplier diversity. We will seek to reduce the barriers to entry experienced by voluntary organisations that are obliged to take part in formal tender exercises. We will favour suppliers who are able to show evidence of a commitment to our diversity principles and that they apply this commitment to their sub-contractors and any outsourcing activities.

3.9 **Resident involvement**

The Group will involve our residents and use existing resident information as much as possible in shaping and undertaking procurement processes. We will incorporate resident views and feedback into our overall approach to procurement, and results of resident contributions will be fed back to the community to promote an awareness of their influence.

3.10 **Risk**

The Group will work to identify, assess and minimise procurement risk. We will ensure that the identification and assessment of risk is undertaken by following appropriate guidance and training, and the development of a Procurement Risk Register and a risk assessment toolkit. Minimising the impact of risk will be conducted through the drafting and operation of risk conscious policies and procedures, including:

- Operating a gateway process for all purchases
- Operation of step-by-step purchasing processes that take into account the value, complexity and risk profile of the purchase
- Documented and certified workflows
- Templates to guide the procurement process and ensure all required elements are given due consideration
- Use of a robust project risk management toolkit
- Creation of Directorate Procurement Plans
- Contract database management
- Oversight of all commercial interaction with third parties
- Monitoring of expenditure patterns to highlight unusual behaviours
- Spend monitoring procedure

3.11 Budgetary control

The Group will ensure that the procurement initiatives contained in the Directorate Procurement plans and referenced under the Value for Money Action Plan deliver the savings which have been identified in the tender evaluation process, and that due consideration is given to these forecast and actual savings when undertaking the annual budgetary process.

3.12 Supplier monitoring processes

The Group will develop a performance review system for suppliers to ensure adequate standards are being met. This process will include credit checks, spend-to-date including maximum expenditure thresholds, usage cut-off points and commitments made to date.

4. Success Factors

4.1 By April 2011 we will have:

- Mapped 100% of spend with a comprehensive supplier list and central secure storage of all hard copy contracts
- Developed a database with access protocols and scanned in all contracts
- Demonstrated a “step change” in the Procurement Customer Satisfaction Survey between September 2009 and September 2010
- Defined our Procurement categories and have signed off Directorate Procurement plans with each Directorate which are fully integrated with their Directorate Business plan and the value for money plan
- Introduced procedures that require sourcing of a new requirement or retendering of an existing requirement to be treated as a project that should follow a project delivery methodology with agreed “gateways”
- Achieved an auditable delivery of all projects and business as usual tasks
- Appointed procurement “champions” throughout the organisation
- Developed and tested all procurement delivery toolkits
- Reduced the number of suppliers used by > 20% in comparison to September 2009
- Identified and implemented Procurement CPD and training requirements
- Incorporated all KPMG Governance Framework recommendations into Procurement Strategy
- Fully updated procurement intranet site
- Developed procurement page on ETG internet

4.2 By April 2012, we will have:

- Scoped and delivered e-commerce tools
- Reduced the number of suppliers used by > 30% in comparison to September 2009
- Achieved targets set for percentage of spend with diverse and percentage of spend with suppliers with representative workforces
- Delivered monthly management information to cost centre management on actual supplier spend

4.3 By April 2013, we will have:

- Undertaken a comprehensive review of the success of the Procurement strategy to date

5. Procurement references

- 5.1 The following documents provide background, legislative drivers, and supplemental guidance and support for the strategy.

Byatt Review - Published in 2001, this set out a number of recommendations to align procurement, best value and continuous improvement. These include developing a corporate procurement function, incorporating priorities of service users, being clear about the quality: cost equation, and building capability and project and contract management. These recommendations were endorsed by the response to this review from the Local Government Association (LGA) and the Office of the Deputy Prime Minister (ODPM). Our strategies and procedures reflect these principles.

National Procurement Strategy - Published in 2003 by the ODPM, this report sets out a framework for public bodies to ensure a strategic approach to procurement.

Gershon Report - Published in 2004, this report was commissioned by the government to drive the procurement and efficiency agenda. By implementing sound procurement practices, we can redirect resources to front line services.

Audit Commission Key Lines of Enquiry (KLOEs) - Regarding procurement, KLOE 2.1 assesses the following: Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

Better Buys - A study of housing association procurement practice – Audit Commission and Housing Corporation (2008)

Innovation Nation White Paper - Published March of 2008, it states that each Government department must include an 'Innovation Procurement Plan' as part of its commercial strategy.

East Thames Asset Management Strategy - Five year strategy outlining ETG's approach to maintaining stock to an excellent standard and addressing key challenges particularly related to current economic conditions.

Value for Money Strategy - This strategy defines East Thames Group's approach to value for money, with a particular emphasis on embedding value for money across the group. The strategy defines value for money as economy, efficiency and effectiveness; and highlights its links to customer experience, financial viability and procurement.

Appendix 1: Implementation Plan

Objective	Lead	Quarter
Implement Contract Register <ol style="list-style-type: none"> 1. Develop Contracts Register for all suppliers that represent top 80% of all expenditure 2. Locate and transfer top 80% of all hard copy contracts into a single storage facility 3. Develop database with access protocols and scan in all contracts for top 80% of expenditure 	Procurement To be discussed Jon Cheyne (database)	Q4 Q4 Q1
Develop Directorate Procurement Plans <ol style="list-style-type: none"> 1. Define Management Information reporting requirements 2. Work up expenditure analysis tools & reports 3. Undertake spend review with each Directorate 4. Develop Procurement plan linked to VfM plans 	Tim Fukes Jon Cheyne Procurement Directorate / Procurement	Q3/Q4 Q4 Q3/Q4 Q3/Q4
Risk Management <ol style="list-style-type: none"> 1. Incorporate KPMG Governance Framework Recommendations into Procurement Strategy 2. Create procurement risk register & toolkit 3. Create guidance document on most common procurement risks and why risk matters 	Group Exec / Procurement Procurement + Sarah Baker Procurement + Sarah Baker	Q3/Q4 Q3/Q4 Q3/Q4
Communications <ol style="list-style-type: none"> 1. Carryout Procurement “Roadshows” 2. Update “How to do Business with ETG” 3. Develop Procurement Intranet site 4. Develop Procurement page on ETG Internet 	Procurement Procurement Procurement + Marcoms Procurement + Marcoms	Q4 Q4 Q4/Q1 Q4
Project Management/Gateways <ol style="list-style-type: none"> 1. Develop Gateway processes 2. Create template for initial Business case 3. Develop Project Management methodology 	Procurement Procurement Procurement	Q3/Q4 Q3/Q4 Q3/Q4
Develop policies, procedures and guidelines <ol style="list-style-type: none"> 1. Identify best practice, methods of continuous improvement 2. Identify and implement Procurement CPD & Training requirements 3. Create templates, guides and toolkits 	Procurement Procurement + Sue Bunt Procurement + Marsha John, Pete Thompson, Maureen Worby, Gary Robson, Pauline Morris	Q4 Q4 Q3/Q4