



**Dale & Valley Homes
Procurement Strategy
June 2009**

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1 Introduction

1.1 What is “procurement”?

Procurement is the process of obtaining supplies, services and works. Our procurement strategy is intended to set out the way we secure outcomes for customers through the exchange of funding, partnering and contracting.

Procurement is a key part of our overall value for money strategy. It deals with our approach to goods and services which we have decided to “buy in” from third parties rather than having our own staff deliver them directly. The issues we take into account when making this decision form part of the procurement strategy.

The range of goods and services procured includes:

- services provided directly to customers by external agencies, including our parent authority, on behalf of the company;
- services to support the operations of the company such as consultancy, legal advice, information technology and finance;
- goods purchased by the company such as IT equipment and software down to small-scale purchases such as stationery.

1.2 What is a Procurement Strategy?

A procurement strategy is a plan which facilitates and improves procurement within the organisation to move forward against its set strategic objectives. set out:

- The nature of the company’s procurement activity.
- Standards which underpin procurement activity.
- Objectives and key targets in the form of an improvement plan.

1.3 The Company’s first procurement strategy and action plan was developed in late 2007. This revised strategy takes account of the significant progress already made since that date and concentrates on significant procurement actions that we now need to undertake to support delivery of our Business and Delivery plan 2010-13.

2 Our vision, values and strategic objectives

2.1 Our **vision** and purpose is to provide:

“Homes and neighbourhoods that our customers want to live in and are proud to live in”

The **values** that underpin this vision all centre on our customers:

- We will be honest, fair and open in all we do.
- We will listen to our customers and treat them as individuals.
- We will maximise the benefits to customers of all available resources.
- We will achieve excellence and continue to improve.
- We will work with all partners to improve the lives of our customers.

2.2 Our four strategic objectives are:

- Delivering Excellent Services
- Delivering Decent Homes
- Running our Business Well
- Contributing to the wider Community

This procurement strategy is “cross cutting” and supports all four strategic objectives. It is intended to

- Set out a clear framework for managing and monitoring performance of contractors and other partners
- Lead to cost savings and/or quality improvements
- Identify short term actions relevant to local needs which contribute to our strategic objectives and the Business and Delivery Plan.

3 Current Position

3.1 Dale and Valley Homes has adopted a risk matrix approach to procurement of high risk and high value services/supplies. A key step in achieving value for money and improving performance was the market testing of capital works and responsive & void repairs. Between them these two areas account for more than half the financial resources managed by the company (more than £9million per annum on average).

3.2 Decent Homes Partner

The company undertook a comprehensive partnering exercise, through the European procurement route to secure a Decent Homes partner to deliver upgrades to the Council owned stock to a value of up to £ 35M over five years. This procurement exercise used the following model:

- A staged procurement process which selected partners based on financial stability, expertise, quality, cost and local context.

- Customer focussed and led selection – 50% of the selection panel were drawn from Customer Panel and tenant Board members.
- Open book partnering approach.
- Managing the contract using a Partnership Board, Core team and Delivery team.
- The exercise also took into account the local employment and training offer in each company could bring to the partnership.

The company has developed a supply chain relationship with Dunelm Property Services – the selected Decent Homes partner. This arrangement has led to significant increases in value for money. For example, supply chain improvements in 2008-09 led to cost reductions of circa £280k through the “pain and gain” arrangements in the contract. This has been re-invested in the Decent Homes Programme.

3.3 Responsive Repairs and Voids Property Services – Market Testing

The 2007 Audit Commission recommendations noted that this area of the business was not adequately controlled and monitored, that costs needed to be benchmarked and more challenging key performance indicators set. Market testing of this service led to the replacement of the council by Gentoo as contractor from April 2008.

The procurement exercise used the same principles as the Decent Homes selection.

Experience in the first year of operation of the partnership arrangement with Gentoo has led to greater customer satisfaction at lower cost, enabling cost savings to be reinvested in customer priorities through the 2009-10 Business and Delivery Plan.

3.4 Service level agreements/contracts with the council

When the company was established in 2006 it was heavily dependent upon a wide range of services procured from the council under contractual arrangements, at a cost approaching £4m. They included

- direct services to customers provided on behalf of the company (e.g. Tenancy enforcement, Responsive repairs and maintenance).
- “back office” services such as legal, finance and IT services

At the outset some 20 services were procured through this route. The Company has progressively reviewed provision of these services using the Decision Making Model approved by the Board in 2007. As a result, there were only four such council service contracts at the start of 2009-10 financial year. Further reviews of these arrangements are set out in the Action plan to this strategy.

3.5 Smaller scale procurement

As a result of changes in procurement since the company's establishment, including the move to our own premises we now manage a much larger range of smaller contracts. This will bring opportunities to improve value for money through procurement across a much wider range of goods and services. As a result more individuals now require appropriate procurement skills, including standing orders for the regulation of contracts. This, along with other training needs is also addressed in the Action Plan to this strategy

4 Links to Other Strategies

The Procurement strategy is a key contributing element of the company's overall Value for Money Strategy

5 Objectives of the Procurement Strategy

The business outcomes expected from this strategy are:

- A framework which supports delivery of the company's Business and Delivery Plan 2009-13
- procurement planning and achieved outcomes reflect the company's core values and service priorities.
- delivery of improved cost savings and improvements in quality and customer satisfaction.
- To use procurement to provide additional investment in Wear Valley and the North east in terms of economic benefit, training and work opportunities.

6 Procurement Policy

6.1 Corporate context

Our procurement policy is set within the overall framework of rules governing public sector procurement, including compliance with EU procurement directives.

Where this framework permits and we can obtain improved value for money, we will take advantage of procurement framework agreements and procurement consortia.

Wherever appropriate we will work strategically with other housing service providers in County Durham and with the County Council itself.

Procurement must be seen in the context of Dale & Valley Homes overall objectives and not just as focussing on the cheapest price. Effective procurement needs to consider the wider aims and objectives of the company. The following section identifies the external factors impacting upon procurement and then establishes standards to provide a framework for future activity.

6.2 Value for Money

Value for money and continuous improvement must form the basis for all procurement decisions taken by the company. Each procurement decision should decide whether services or goods can be provided in a more effective, efficient and economic way. In the context of procurement, obtaining value for money means choosing the bid which offers the optimum combination of whole life cost and benefits to meet our customer's needs.

Procurement activity should promote the following standards:

- Support the company's objectives.
- Be driven by outputs and outcomes for customers.
- Enhance sustainability
- Generate the most advantageous balance of quality and cost.
- Minimise the resources used for administration and monitoring.
- Simplify routine tasks and transactions.
- Provide flexibility of procurement over a specified period of time.
- Include a competitive element at selection stage.
- Encourage partnership and collaboration.
- Include an evidenced audit trail.

- Include a performance management element and review timescales.
- Follow the principles of whole life costing.
- Be capable of demonstrating continuous improvement.

6.3 Partnership and Collaboration

The strategic objective of partnering is the delivery of better services to customers through the creation of a sustainable partnership with suppliers in the voluntary, public or private sector.

The strategic objective of collaboration is to obtain better value by bring together public bodies at a regional and sub regional level to combine their purchasing power and create shared services.

6.4 Standards of Procurement Adopted by Dale & Valley Homes

Management and Control of Contracts

Responsible managers will ensure that all contracts are adequately managed and monitored achieving completion on time and within budget.

Assessing and Minimising Risk

Each contract will include a risk assessment to be updated by the budget holder.

Experienced Staff resources and Customer Involvement

Staff engaged in procurement and contract management shall be suitably trained for the purpose. Tenant representatives will be involved in the selection of contractors and consultants who provide services directly to customers.

Social, Economic and Environmental Well Being

Each contractor will be required to evidence how their operational activity will impact on the social, economic and environmental well being of our neighbourhoods

Packaging of Contracts

We will package contracts, tenders and services in such a way as to get the best balance between

- contract size (economies of scale and continuity);
- attractiveness to the market (with potential price and quality advantages)

High Professional Standards and Best Practice

All procurement procedures shall be operated according to financial regulations and take account of equality and diversity.

Continuous Improvement

Where contracts are running for a number of years the contract will provide for a measurable continuous improvement through the period of the contract.

6.5 Role of the Board

The role of the Board will be to set and review the procurement priorities for the company through:

- considering and prioritising areas for review and improvement (Business and Delivery Plan).
- Monitoring progress against the Procurement strategy and Action .

6.6 Role of Staff

- Ensure that each procurement exercise adheres to the principles of the policy.
- Undertake benchmarking and cost comparisons for each service/supply area subject to a procurement exercise.
- Set appropriate performance indicators and milestones for contractors and monitor these over the life of the contract/agreement.
- Consult with customers on the mechanics of major procurement exercises.
- Provide customer panel and the Board with information on procurement related outcomes such as improved value for money, customer satisfaction, cost savings, quality improvements, employment and training.

6.7 Role of Customer Panel

- To provide challenge and comment on staff and Board proposals for procurement.
- To provide qualitative feedback and review of contractor performance.
- To support the company in the selection process for major, customer facing contracts

9 Procurement Action Plan

The Procurement Action Plan set out below highlights four major areas for action over the 2009-10 financial year resulting from this strategy and which will support the Company's Business and Delivery Plan.

Procurement Action Plan

Objectives	Actions	Timescale	Responsible
<p>OBJECTIVE 1 To assess externally procured services against the Decision Making Model approved by the Board to determine the most appropriate future approach.</p>	<p>Consider re-packaging of remaining large services provided under service contracts with the council to facilitate use of the model.</p> <p>Reassess Legal Services through the model, taking account of need for balance of in-house /external procurement expertise.</p> <p>Assess continuing use of "Asset Management Support" ,currently provided through</p>	<ul style="list-style-type: none"> • Gas Repairs & Servicing Completed April 2009. Monitoring brought in house • IT Services December 2009 • Finance Services December 2009 • July 2009 • June2009 	<p>Assistant Director Property Services</p> <p>ICT Manager/Director of Resources</p> <p>Resources Manager/Director of Resources</p> <p>Director of Resources</p> <p>Assistant Director Property Services</p>

Objectives	Actions	Timescale	Responsible
	commercial consultancy .		
<p>OBJECTIVE 2 Further improve performance specifications and monitoring arrangements for remaining SLA's in line with the Procurement Standards set out in this strategy, to ensure that they are effective service contracts</p>	<p>Rewrite IT SLA with council to include improved performance standards and clearer reporting and monitoring arrangements.</p> <p>Rewrite Finance SLA with council to include improved performance standards and clearer reporting and monitoring arrangements</p> <p>Legal SLA</p>	<p>Produce draft July 2009</p> <p>Agree with council October 2009</p> <p>Produce draft September 2009</p> <p>Agree with council November 2009</p> <p>Review in light of outcome of Objective 1</p>	<p>ICT Manager/ Director Resources</p> <p>ICT Manager/ Director Resources</p> <p>Resources Manager/Director Resources</p> <p>Resources Manager/Director Resources</p> <p>Director of Resources</p>
<p>OBJECTIVE 3 To ensure that the company has the necessary expertise in-house for excellent procurement and that all involved in the procurement process have the necessary skills.</p>	<p>Consider balance of in-house VS externally provided legal expertise</p> <p>Consider replacing procurement consultancy with internal expertise</p>	<p>See Objective 1</p> <p>See Objective 1</p>	<p>Director of Resources</p> <p>Assistant Director Property Services</p>

Objectives	Actions	Timescale	Responsible
	<p>Bring together information on procurement related training needs of staff, Board and Customer Panel, based on training need analysis of each group</p> <p>Implement training</p>	<p>August to November 2009</p> <p>Ongoing</p>	<p>Performance & Training Manager</p>
<p>OBJECTIVE 4 To continue to develop partnering arrangements for appropriate contracts to further improve value for money</p>	<p>Develop new programme of work for the Decent Homes supply chain Group</p> <p>Replicate the supply chain group arrangements for the Repairs and Voids contract</p>	<p>August 2009</p> <p>March 2010</p>	<p>Assistant Director Property Services</p> <p>Assistant Director Property Services</p>