



CORPORATE PROCUREMENT STRATEGY

Management Information

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Lead Officer:	Value for Money Officer
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1. Foreword

This is the second procurement strategy developed by North Lincolnshire Homes. North Lincolnshire Homes have matured as an organisation over the last two years hence the need for a new procurement strategy.

This procurement strategy will seek to push forward procurement at North Lincolnshire Homes from 2009 – 2012 and work in cohesion with the Corporate Objectives which are:

- Working in Partnership to Develop Sustainable Communities
- Effectively and Efficiently Managing our Business
- Developing the Organisation and Building on our Capacity
- Putting our Customers at the Heart of our Organisation
- Remaining Viable through Regulation and Managing Risk
- Deliver Excellent Services and Decent Homes

The importance and need for strategic procurement at North Lincolnshire Homes (NLH) has been increased since the establishment of the National Procurement Strategy (NPS). In addition to this NLH spend **£44 million** per year on goods, works and services so it is essential that value for money is achieved when procurement takes place for the benefit of our tenants.

NLH has ensured consultation with all relevant stakeholders in the production of this strategy. Best practice and benchmarking against other organisations has also been recognised in developing this strategy.

To move this strategy forward it is essential that staff at all levels embrace it so that benefits from it can be realised and ultimately the Corporate Objectives and the procurement strategy targets achieved.

This strategy works in cohesion with the Value for Money strategy and the contract standing orders of NLH.

Value for Money and Procurement Manager

2. Introduction and Overview

North Lincolnshire Homes (NLH) is committed to ensuring value for money for its customers; this strategy sets out NLH's current position and the planned approach that will ensure that this commitment is realized.

It is essential in the current economic climate even more so that North Lincolnshire Homes ensures its resources are spent wisely using an effective procurement strategy to determine the best options available for providing its services through a variety of mechanisms including direct provision, partnering arrangements, mixed economies, joint commissioning and outsourcing.

The key aims of the Procurement Strategy are outlined below:

- The aim of the Procurement Strategy is to ensure that North Lincolnshire Homes delivers high-quality services, which represents best value for money for our tenants and leaseholders through effective procurement projects, effective contract management and constructive supplier/contractor relationships/partnerships.
- The strategy will be used to promote efficient, effective and economical procurement throughout the organisation as well as a consistent and corporate approach by all members of staff at all levels.
- Improve the existing procurement organisational framework to ensure the new process deliver procurement decisions that are on an informed, consistent and transparent and sustainable basis.

3. Vision

North Lincolnshire Homes' vision is much wider than being a provider of affordable homes. The vision is to be at the heart of our neighbourhoods, working with communities. To create 'Better Homes, Stronger Communities'

The Overall Vision of the Procurement Strategy is:

North Lincolnshire Homes will strive to achieve further efficiencies and best value through effective procurement which proficiently consults with tenants and leaseholders where necessary. To also ensure all staff at North Lincolnshire Homes are fully aware to their responsibilities to ensure that procurement practices are adhered to and competently conducted. To bring about benefits that ultimately benefits the tenants of North Lincolnshire Homes and is in-line with the corporate objectives.

4. Strategic Objectives

The objectives of North Lincolnshire Homes are as follows:

- Deliver Excellent Services and Decent Homes
- Working in Partnership to Deliver Sustainable Communities
- Managing the Business
- Organisational Development and Capacity Building
- Customers at the Heart of the Business.

The vision, aims and objectives for this strategy have been derived from the corporate objectives described above:

1. To investigate and maximise whether the use of partners, collaboration, could provide the service at a reduced cost and/ or better quality for the benefit of the tenants.
2. To ensure procurement processes are fair, consistent, transparent and operated within the parameters set by European Legislation and for the benefit of tenants, staff and the community.
3. To seek comparisons with other RSL's and LSVT's to show areas of weakness and where North Lincolnshire Homes should be market testing and seek best practice.
4. To establish a consistent and methodical approach to procurement at North Lincolnshire Homes.
5. To investigate and take advantage of e-procurement possibilities to promote more efficient procurement processes throughout North Lincolnshire Homes and ultimately deliver a better service to tenants and make savings.
6. The challenge areas of North Lincolnshire Homes to encourage competition and enhance service delivery through effective procurement.
7. To secure and embed a commitment and focus of effective procurement from tenants and staff at all levels at North Lincolnshire Homes
8. To support the cultural change at North Lincolnshire Homes by supporting and delivering the development of skills, knowledge and empowerment of North Lincolnshire Homes staff in procurement.
9. To ensure all equality and diversity policy and strategy objectives are incorporated into all the procurement activities.
10. To increase the levels of tenant and leaseholder involvement in procurement activities at North Lincolnshire Homes
11. To adopt the Egan principles from 'Rethinking Constructing' and develop a partnered approach to the procurement of the Repairs and Maintenance contracted services.

5. What is North Lincolnshire like?

North Lincolnshire is situated on the south side of the Humber estuary and covers an area of 85,000 hectares of which 89 per cent is agricultural land. The population is 157,050. The patterns of settlement reflect its mainly rural nature with market towns surrounded by many small villages. An important exception to this is Scunthorpe, a substantial urban area, with 69,321 residents. Yorkshire Forward, the regional development agency has designated Scunthorpe an Urban Renaissance town. It is most famous for the steelworks which is still a large employer. Scunthorpe is the main centre for jobs, shopping, and colleges. The historic importance of agriculture helped to build the area's market towns. Epworth and Crowle serve the Isle of Axholme, and Barton, Brigg, Kirton in Lindsey and Winterton serve their neighbouring rural areas. The M180 runs east to west through the district providing good road transport links in and out of the area.

The population of North Lincolnshire has increased by an estimated 4 per cent between 2001 and 2006. From an overall population of 157,000 over 38,000 are children and young people. Black and minority ethnic (BME) people make up about 3.95 per cent of the population, although some areas have a significantly higher proportion. The main minority ethnic groups are of Asian or Asian British ethnicity but the Iraqi Kurdish community is increasing. Since 2001, the proportion of Eastern European workers has also been increasing. Unemployment has generally been lower than the national average, although the number seeking work is rising.

6. Scene Setting

Our policies, strategies and priorities are shaped by National, regional and local contexts. Our strategy forms part of these wider agendas:

- The Tenant Services Authority (TSA) places much emphasis on achieving Value for Money for tenants; this is shown in the cross-cutting KLOE 32 (Key Lines of Enquiry) titled 'Value for Money'. The procurement strategy plays an essential part in delivering the VFM agenda to tenants of North Lincolnshire Homes and links in closely with the Value for Money Strategy. The regulatory framework developed by the TSA that North Lincolnshire Homes complies to states that:
 - ✓ Through the efficiency agenda, strong emphasis is placed on procurement. Guidance encourages associations to look for opportunities for innovation and genuine partnership working with others. Regulatory guidance still stresses, however, that fair and open competition will usually be the best way on demonstrating that a function or service is being carried out effectively.
 - ✓ The Regulatory Code requires that all associations must maintain the highest standards of probity in all of their dealings (paragraph 2.3 of the code).
They must:
 - Act to maintain the good reputation of the sector, and not bring into disrepute (paragraph 2.3.1);
 - Foster positive relations with stakeholders (paragraph 2.3.2);
 - Only enter into relationships with other organisations when rights and obligations are clear to all (paragraph 2.3.4).
 - In undertaking construction activity, the association must ensure that it is operating in accordance with the law and its constitution (paragraph 2.1. of the Regulatory Code).
- Providing services in-house is legally straightforward. The statutory framework governing procurement through contractors and outside agencies has, however, become increasingly complex. The European Union's (EU) public procurement regime has had a considerable impact, particularly on larger procurements. Considerable expertise is required to put the EU directives into practice. (See Appendix 2)
- The National Procurement Strategy for Local Government published by the Office of the Deputy Prime Minister in 2003
- The Gershon efficiency Agenda

- Egan Principles set out in the Construction Task Force report 'Rethinking Construction'
- EU Procurement Directive for the Procurement of works, goods and services
- Race Relations legislation
- Landlords and Tenants Acts, and the Commonhold & Leasehold Reform Act
- The Tenant Services Agency Regulatory Code
- Best practice in construction procurement

7. Where are we now?

7.1 Joint Procurement

The Board are aware of the efficiency agenda and in particular the need to have efficient procurement. These have been key issues in the housing sector since 2004. North Lincolnshire Homes is a member of both the National Housing Federation and the Housing Quality Network which offer benchmarking services. In addition, we are members of the Northern Consortium and Synergy through which several framework agreements can be accessed. North Lincolnshire Homes are also members of Housemark which enables Registered Social Landlords to take advantage of the purchasing power of Procurement for Housing (PfH) and offers a comprehensive benchmarking service.

North Lincolnshire Homes also takes advantage of the framework agreements set up by the Northern Housing Consortium (NHC) who are an established and successful membership organisation open to statutory housing organisations, RSL's and ALMO's in the Northern Region. In partnership with the London Housing Consortium (LHC) it operates a series of combined procurement solutions harnessing the purchasing strength of a body representing 1.3 million social housing tenancies. North Lincolnshire Homes has been a member of NHC since June 2007. Purchasing solutions currently used by North Lincolnshire Homes are:

- Community Alarms Maintenance Contract;
- Community Alarms Preferred Partner Agreement;
- Bill Payment Solution;
- Tenants Contents Insurance;
- Directors and Officers Liability Insurance
- Stair lift Installation

7.2 Partnering

The Rethinking Construction report prepared by the Construction Task Force chaired by Sir John Egan has wide ranging consequences on how housing associations undertake construction related procurement. Rethinking Construction places an emphasis on quality, value for money process for selecting partners for long-term contracts and developing longer-term partnerships. Best value places a similar emphasis on the importance of partnerships working whether this is the most effective approach. Partnering can help reduce real costs, improve quality and predictability and better meet end users needs. It can help to meet the objectives of sustainable development.

North Lincolnshire Homes has adopted a partnering approach for the procurement of the 'Decent Homes' works that are being undertaken. This is shown in the way they were procured in elements such as:

- 5 years contracts entered into with Mears, Bullocks and Anglian
 - Financial set up of the contract / gain share
 - NEC3 Terms of Contract used to govern the contract
 - Contract liaison and management techniques used by North Lincolnshire Homes shown in bi-monthly performance review meetings known as Core Group that involves tenants where problems around progress, variations, KPI's and other issues are considered
 - These contracts were awarded on 'most economically advantageous tender' (MEAT) rather than lowest cost
 - KPI's were agreed in consultation with the contractors/tenants prior to the initiation of the contract
 - Performance is measured and monitored across the following performance areas against agreed KPIs
-
- A process for continuous improvement has been established involving tenants, staff and contractors/ partners this is shown in elements such as the Homes Improvement Panel.
 - Open book accounting has been adopted to give a measure of control over cost. Open book accounting will be based on:
 - Actual cost of materials;
 - Cost of labour and productivity levels;
 - An agreed up front profit for the contractor;
 - Agreed overheads; and
 - Customer satisfaction levels.

Repairs and Maintenance contracts will in 2010 take on the principles that the Decent Homes procurement and contracts have taken on with regards to partnering as per the Egan Principles. This is essential to ensuring all of the benefits that partnering can establish are realised such as a reduced requirement for tendering individual projects on an annual basis and its replacement with a partners' performance based on sustained improvements in quality, efficiency and customer/tenant satisfaction.

7.3 Collaborative Consortium Purchasing

Effective partnering with other organisations in the form of joint ventures increases our ability to influence the strategic direction of the partnership and enables us to respond quickly and effectively to change. It would enable us to truly share the "pains and gains" of partnering, and allow us to develop strong links with both the commercial sector and other Housing Associations.

Procurement at North Lincolnshire Homes will seek to forge strong links with the other RSLs of similar need and has already approached such organisations with a view to setting up groups. North Lincolnshire Homes is currently involved in consortia

purchasing through organisations such as the Northern Housing Consortium, Synergy, Buying Solutions (formerly known as the OGC Office Government and Commerce) and Procurement for Housing (PFH). This will be extended and groups sought to work together with North Lincolnshire Homes to achieve increased purchasing power and improved value for money.

7.4 Call off contracts

These types of contract are currently in place for North Lincolnshire Homes. They cover items such as stationery, water coolers and many others. These are arrangements set for a fixed period of time where quantities have not been specified but estimated. These are established by procurement at North Lincolnshire Homes. More commodity areas will be involved in call off contracts in the future such as uniforms, agency staff and legal services to mention a few. These will be addressed in the VFM and Procurement Annual Plan

7.5 Schedule 1

North Lincolnshire Homes strictly ensures that any new contractor, consultant or supplier signs a Schedule 1 declaration form prior to coming on the Approved List. No contractor, consultant or supplier can be used to purchase from if they are not contained on this list.

All staff at North Lincolnshire Homes will consider the Approved List and sign Schedule 1 declaration forms. This process is carried out every six months following the annual review of the Approved List a copy of the 2008-09.

7.6 Approved List

North Lincolnshire Homes has put in place procedures relating to the Approved List, including adoption onto the list, use of the list (rotation where there are multiple contractors available) and review mechanisms

In addition, North Lincolnshire Homes holds a Contracts Register which is the register of details of all current contracts led by North Lincolnshire Homes. This is used to plan future procurement requirements.

7.7 Basic Guide to Procurement

North Lincolnshire Homes has produced a Basic Guide for Procurement for its staff. This is attached as Appendix 2 This is to be revised to accompany training initiatives.

North Lincolnshire Homes has developed standardised procurement documents, which are available to managers on the North Lincolnshire Homes VFM and Procurement section on the intranet. This includes:

- Request for Quotation Form
- Tender Documents
- Acceptance Letter
- Rejection Letter

- Standard terms and conditions

8. Where we want to go?

The eleven objectives that have been specified by the Procurement Strategy as stated before link in to the overall corporate objectives. In summary to these objectives we are wanting to improve how procurement is delivered at NLH through a precise and measurable methodology, ensure all staff are consistent in their approach to procurement, regulation is adhered to from a national to local level, ensure equality and diversity considerations are taken into account and encourage and develop tenant participation in procurement projects. This will ultimately ensure North Lincolnshire Homes deliver effective, modern procurement methods and achieve value for money for tenants.

9. Value for Money

The Procurement strategy links in closely to the Value for Money strategy and objectives. The TSA states in their Regulatory Code, paragraph 3.3 'Housing associations must aim to deliver continuous improvements and value for money in their services'. Procurement is an important element in achieving Value for Money for tenants. Government guidance on obtaining value for money in procurement identified the following key features of a successful project:

- Integrated value management (establishment what "value" means to the association, agreeing users needs and evaluating procurement options) and risk management techniques within normal project management;
- Taking account of whole life costing. Whole life costing requires the consideration of all the costs of the project over its life. Capital costs invested at outset may only be a fraction of the lifetime costs of the building. Whole life costs will include not only construction costs and associated fees, but also other costs incurred during the life of the building for example: maintenance, cleaning, energy, upgrading and where appropriate, disposal;
- Adopting change control procedures. Changes to design, especially after the award of the contract, are one of the major causes of cost overruns and poor value for money;
- Avoiding waste and conflict through team working and partnering arrangements;
- Not appointing consultants and contractors on the basis of lowest initial price alone, but taking account of quality, added value, skills and competencies necessary to undertake the role.

These Value for Money procurement principles have fed into the procurement strategy objectives which ultimately lead onto the procurement strategy targets.

10. Equality and Diversity

Our aim will be to ensure that we use our purchasing power to promote the principles of fairness amongst all communities.

We will ensure that our moral and legal obligations to promote fairness are put into practice when awarding contracts to contractors, consultants and suppliers, in accordance with our written procedures for appointment of external agents. We will develop KPI's that reflect equality and diversity considerations.

When engaging external agents to work on our behalf, we will require their commitment to conduct themselves in a manner reflecting North Lincolnshire Homes Equality and Diversity Policy, as set out in our **code of conduct** for contractors. We will require companies to provide details of their own relevant policies, however, assistance will be given to small firms where necessary to ensure that standards are met, by for example, asking them to agree to our Equality and Diversity Policy. This is currently covered by procedures set out in the Approved Contractors, Consultants and Suppliers List procedural document

Decisions on contracts awarded will be based on objective criteria to assess the agent's ability to carry out work to required standards, timetables and budgets.

We will review our procurement methods to ensure that BME and small businesses are made aware of services and goods purchased by RSL's, so that they can tender for business opportunities.

11. Performance Section

11.1 Key Performance Indicators

The Procurement Strategy will be measured against the SMART targets set out in this document. These will be methodically monitored through the VFMWG (Value for Money Working Group) as part of this groups responsibilities are for procurement. Performance of procurement at North Lincolnshire Homes will also be shown in the VFM Activity update that shows saving that is reported to EMT monthly and Resources on a six weekly basis.

The indicator is the STATUS survey that is 'Do you feel that you are getting Value for Money from your landlord' also has close connotations for Procurement.

Agreed Partnering KPI's include:

- ✓ Budget performance
- ✓ Programme performance –Time
- ✓ Customer satisfaction – response rate
- ✓ Customer satisfaction – Satisfaction
- ✓ Defects
- ✓ Local labour – Subcontractors
- ✓ Local labour – directly employed
- ✓ Health & Safety – HSE

11.2 Responsibilities

The Director of Finance will monitor the impact of this Strategy to ensure appropriate and consistent monitoring of progress against the action plan (appendix 3)

12. Links to other Strategies/ Policies/ Procedures

- Value for Money Strategy
- Equality and Diversity Strategy
- Resident Involvement Strategy
- Approved Suppliers, Consultants and Contractors Procedure
- Contract Standing Orders

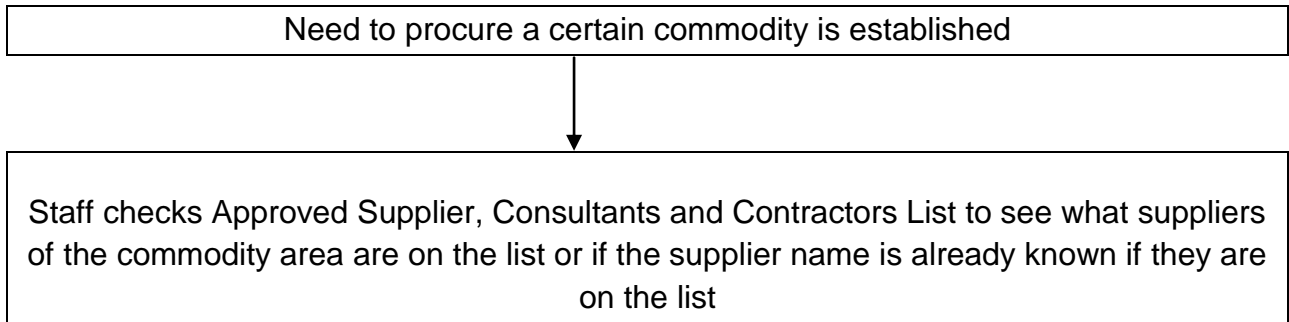
13. Procurement Strategy Contact

Value for Money Officer
North Lincolnshire Homes
Meridian House
Normanby Road
Scunthorpe
North Lincolnshire
DN15 8QZ

Tel: 01724 298712

Email: Procurementdept@nlhomes.org.uk

APPENDIX 1



YES

Place the order subject to NLH Contract Standing Orders and Delegated Authority Levels

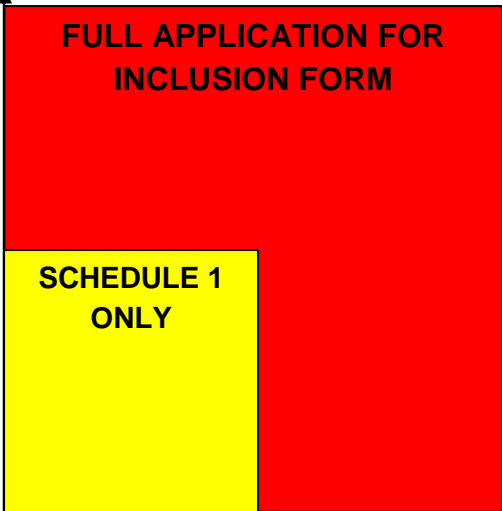
NO

Send the potential supplier the Application for Inclusion form, if the supplier is already on an approved list or the supplier is judged against the risk and value formula not to be required to do the whole form then a schedule 1 form can be sent in isolation. The acceptable lists are:

- OGC
- Constructionline
- PFH
- NHC

If a one-off purchase only with no expected ongoing relationship then potential supplier to just complete the Schedule 1 Form.

VALUE AND RISK FORMULA FOR DETERMINING LEVEL OF FORM COMPLETION



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The form will be returned to the VFM officer and placed on the Approved Supplier, Consultants and Contractors List within 2 working days. The staff member needs to check regularly to see whether they can place the order

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Once the order is placed, the goods/services received and the invoice received the finance department will check that the supplier is on the Approved List to ensure compliance

APPENDIX 2

PROCUREMENT IN LINE WITH EU REQUIREMENTS

1. INTRODUCTION

The regime impacts on those bodies which may be loosely defined as falling within the “public sector”. It regulates contracting practices by providing detailed rules on tendering procedures for all contracts over a defined threshold. If contract values fall below those thresholds, they will be governed only by the basic EU principles and the treaties.

The regime provides remedies for aggrieved tenderers and those who would have wished to be tenderers, and therefore it is important that its impact is understood.

The principles which underpin the EU public procurement regime are those of **non-discrimination** (that is, a prohibition against favouring any national on the basis of nationality) and **transparency**. Transparency is intended to ensure that, not only are contracts awarded in a fair manner, but the system for awarding these contracts is seen to be fair and open to scrutiny. This has led to a focus on the need for public advertising of significant contracts throughout the EU.

2. THE LEGAL FRAMEWORK

The legal framework is made up of three different procurement areas each with slightly different rules. The first consideration is therefore to determine precisely what **NORTH LINCOLNSHIRE HOMES** wishes to procure or obtain:

1. SERVICES

2. SUPPLIES

3. WORKS

Once it is determined to use external support for contracts of a material value, it is necessary to consider whether or not the regime will apply. The regime operates to regulate tendering and contracting, that is, the use of external contractors. As many services are provided by in-house employees (and therefore do not require tendering), it is often in the areas of the purchase of supplies (e.g. the leasing of computer software) or building works (e.g. Refurbishment and repairs) where the regime has most impact. These latter two areas are classed as supplies and works respectively.

Works

Covers contracts for the execution of major construction projects and major maintenance contracts, for example, a new housing development or a major refurbishment project. The directive applies to contracts with a threshold value of over £3,497,313 per project.

It should be noted that the definition of ‘public works contract’ is drawn very widely and is likely to include any innovative ‘land swap’ arrangements, for example those where developers agree to construct a building specifically for **NORTH LINCOLNSHIRE HOMES** and then swap the site and building for a site already in the control of the **NORTH LINCOLNSHIRE HOMES**. Leasing or purchasing an existing building which was not constructed to the order of the **NORTH LINCOLNSHIRE HOMES** does, however, fall outside the regime.

Supplies

The supplies directive regulates contracts for the acquisition of goods, whether by purchase or by lease, rental or hire purchase. The threshold is currently £139,893.

Services

Here the threshold is the same as supplies £139,893 per contract.

Extra complexity is provided because services are divided into two different types. Those within **ANNEX 1A** of the directive are known as “priority services” and the full force of the regime apply to these. Examples include building cleaning, computer services and finance contracts (e.g. those for insurance).

However, for those services in the **ANNEX 1B** category (e.g. Legal services, catering services and grounds maintenance contracts), often termed “residual services”, only a modified and rudimentary regime applies at present.

Outsourcing, facilities management and similar arrangements are likely to be examples of contracts for services which are of sufficient value to need to follow the EU procedures but, as noted above, although a cleaning contract (i.e. a service within schedule 1a of the services regulations) has to follow the full regime, a catering contract (schedule 1b) would only have minimal obligations to meet.

Contract values are calculated on the basis that any optional extensions have been exercised (i.e. a 3 year contract with a 2 year option to extend is treated as a five year contract) the aggregation rules also apply (**see below**).

Thresholds

The threshold as an exemption

The principal exemption is a threshold, below which an RSL would only need to observe general community requirements, such as non-discrimination, in addition to its own financial memoranda or other internal rules. The threshold is a way of determining whether or not the benefits of a formal procurement exercise are outweighed by the costs of tendering. Only contracts of significant value are caught by the rules and require a formal exercise.

Calculating the thresholds and the aggregation rules

There are various legal provisions (commonly known as the “**aggregation rules**”) which prevent the splitting up of a larger contract into smaller packages or the letting of several contracts on a recurrent and regular basis to avoid a threshold. Thus it is not possible to let two construction contracts for the same project each with a value of £2.5 million, to avoid the threshold of £3,834,411.

The most difficult area is that of supplies where the regulations recognise that it is common practice to make a series of regular purchases for “supplies of the same type” and this may lead to contracts being awarded “at the same time in separate parts”. In this instance, the total value of the procurement would be added together to calculate the threshold.

Having determined what is required to be purchased (i.e. Works, supplies or services); there are three possible contract award procedures by which the EU regime classifies the actual tendering process which may be used. All three are regulated in a different manner.

Open procedure

Restricted procedure

Negotiated procedure

The use of the ***negotiated procedure is not normally permitted***, and can only be used in exceptional and strictly regulated circumstances.

Open procedure

Under the open procedure all interested contractors can tender directly in response to the relevant advertisement (notice) in OJEU. **NORTH LINCOLNSHIRE HOMES** will deal with all issues of selection and evaluation on receipt of the priced bid which is submitted in response to the advertisement.

No negotiations are permitted in respect of the bids submitted, which are evaluated on the basis of pre-published award criteria. The selection and award stages take place simultaneously although independently of each other in so much as the tenderer prices the specification submitted within the OJEU notice.

This procedure is rarely utilised in the UK because of the number of responses which may have to be evaluated, but it is sometimes used for the procurement of standard supplies **e.g. Coke for heating boilers.**

Restricted procedure

The restricted procedure is the most common procedure used in the UK. This is a definite two stage procedure.

The procurement should start with a prior information notice (pin) which can be advertised at any reasonable time prior to tender documents being drawn up and is best done at the beginning of a financial year for services and works that will be procured during that year.

In any event there will be an OJEU contract notice which requires interested parties to express an interest in performing the contract. They normally respond to that advertisement by completion of a questionnaire, or a section in the contract notice which asks firms to detail their technical expertise and experience, and financial standing. This questionnaire will have been prepared by **NORTH LINCOLNSHIRE HOMES**.

Only those firms who have been selected are then invited to submit a priced bid. They are asked to respond directly to an invitation to tender. No negotiations are permitted, and tenders are evaluated on pre-determined award criteria which have been pre-published in the contract notice or invitation to tender.

Negotiated procedure

Under the negotiated procedure **NORTH LINCOLNSHIRE HOMES** negotiates with contractors of its own choice. This procedure can only be used in very limited circumstances which are laid down in the regulations and it is up to the contracting authority to justify the use of the negotiated procedure in the light of those circumstances.

The negotiated procedure is likely to require the publication of an OJEU notice and this is known as “competitive negotiation”. In other circumstances no notice is required (e.g. where exclusive rights possessed by one supplier require the use of that supplier).

3. CONDUCTING A TENDERING EXERCISE

Strategic planning

Successful tendering of any description commences with strategic planning. A well planned exercise is more likely to result in a successful procurement, and is less likely to run into difficulties later on in the process.

The starting point will be to analyse the intended procurement, the timescale within which it can be achieved, the documentation required and the costs of undertaking the exercise. Within these initial considerations it is necessary to determine whether external advice and support is necessary.

Even the obtaining of external advisors may itself be subject to the regime, subject to value, as the use of architects, accountants and general consultancy services are all covered by the services definition.

Timetabling and timescales

Depending on the complexity of the procurement, the timescale from advertisement to contract award may vary considerably.

In the case of more complex procurement, the whole procurement process from initial planning to contract award can be expected to be as long as six months.

The key legal requirements, which have to be accommodated under the EU regime, relate to the OJEU advertising and the time periods to allow sufficient time for interested bidders to express an interest in participating in the exercise (request to participate) and, if selected, to submit their tenders.

Generally the following time limits would apply where a pin notice has been advertised to alert potential bidders that a service will be advertised.

Advertising project/supplies for prospective tenderers to submit their expressions of interest - **at least 37 days.**

Tender period for selected tenderers to submit their tender bids based upon specification and including the provision of the award criteria – **26 days where a pin notice has been issued or at least 37 days where there has been no pin notice.**

It should be noted that at least one calendar week will be needed to evaluate the initial expressions of interest and to inform those who have not met the criteria, and probably two calendar weeks to evaluate tenders and award contracts.

4. **THE PREPARATION OF THE DOCUMENTATION**

Advertising requirements - the notices

Transparency is one of the key principles which underpin the EU regime. This concept requires that all tendering activities of public authorities / bodies should receive maximum publicity. To this end, there is a requirement under all procedures (except the negotiated procedure, in very limited situations) for the prior publication of notices or advertisements.

Depending on the award procedure used three notices will be required and the format will vary slightly depending on whether the procurement is of works, supplies or services.

All notices and communications are sent to the office for official publications of the European communities (Eur-op) in Luxembourg, and a record of dispatch kept. Notices are translated into the official community languages and published in OJEU. There is no charge for this service, which is borne by the member states of the European Union. The address for notices to be sent to is:-

Office for official publications of the European communities, 2 rue mercier, I-2985 Luxembourg. Tel: 00 352 49 92 81 or fax: 00 352 49 00 03 or 00 352 49 57 19

The three notices are (see appendices):

A) Prior information notice (pin)

This notice should be sent for publication in OJEU as soon as the decision is made to go ahead with the procurement activity. It only includes essential characteristics (e.g. the name and address of the institution and an outline description of the purchasing requirement).

B) Contract notice

This is an advertisement which is published in OJEU and provides full information about the nature of the procurement. It should be a maximum of 650 words unless submitted electronically. In particular it informs the parties how to bid for a contract. Again, the form and content of the notice is laid down in a schedule to the relevant regulations.

The notice includes substantial detail on the nature of the contract to be awarded and the manner in which interested parties must respond to the notice, and the format varies depending on the contract award procedure utilised.

C) Contract award notice

The contract award notice is sent on completion of the tendering exercise and on award of the contract.

In the case of abandonment of the procedure leading to no award, the commission should be notified by letter. In this manner, every tendering exercise which is originally advertised in OJEU should be completed by the contract award notice or notification of abandonment.

Again, the format of the notice is laid down in a schedule to the relevant set of regulations. No particular format is required for the notice of abandonment as this is merely a letter, referenced to the original contract notice, stating when the procedure was abandoned

The specification

There is a requirement within the regime for a specification or a description of the works / services / supplies to be provided by **NORTH LINCOLNSHIRE HOMES**.

This specification or description is designed to describe the procurement requirements of the **NORTH LINCOLNSHIRE HOMES**. The nature of the intended procurement needs to be considered carefully and then described in non-discriminatory language.

In brief, this requires **NORTH LINCOLNSHIRE HOMES** to describe their procurement requirements in terms of functional descriptions rather than by the use of trademarks, proprietary brands, UK standards or the like

Tendering documentation and contract conditions

The EU regime regulates the tendering process rather than post-tender matters such as the contractor's performance under the contract. Accordingly, there is no formal regulation of the conditions of contract.

However, it should be noted that in common with all other documentation, the treaty of Rome forbids the use of discriminatory documentation which favours tenderers from one particular member state and therefore any favoured precedents should be reviewed with this restriction in mind.

5. THE SELECTION/ SHORT LISTING PROCESS

The selection criteria

Not all those who respond to an advertisement may be suitable as tenderer, for example they may lack the necessary financial soundness or experience. It is for this reason that all the award procedures permit a process of selection to take

place. The selection stage is a formal short-listing process to choose those applicants who will be invited to tender.

There are three sets of selection criteria which may be utilised.

These are laid down in the relevant legislation but authorities must draw attention to these in the contract notice. Only these permitted criteria may be considered. These all relate to the capability of the firm rather than how they will undertake a contract for **NORTH LINCOLNSHIRE HOMES**.

The three sets of factors which may be used for selection are as follows:

A) Selection/Rejection Factors

These include such matters as bankruptcy, registration on the appropriate professional trade register in the member state, the absence of relevant convictions on the part of the firm contracting and similar matters such as the absence of professional misconduct.

By their very nature, any firm which applies for work and which falls foul of these factors can automatically be rejected.

B) Economic and Financial Standing

The evidence to be considered is laid down in the rules

NORTH LINCOLNSHIRE HOMES is to consider and EMT agree the financial “threshold” or standard which any contracting firm must meet for this service / contract. This standard may include a certain level of turnover or other measure of financial stability. Any firm which fails to meet the standard laid down by **NORTH LINCOLNSHIRE HOMES**, based on evidence stipulated in the relevant legislation, may be rejected.

The criteria should be included within the contract notice.

C) Technical Knowledge and Ability

NORTH LINCOLNSHIRE HOMES project managers are to agree the standards of technical knowledge and ability which all contracting parties must meet for a particular service / contract

Care needs to be taken when assessing the operating capability of a holding company with operating subsidiaries.

6. **THE PROCESS OF EVALUATION**

The award criteria

Having selected a short-list of those parties **NORTH LINCOLNSHIRE HOMES** project managers will obtain tenders from those parties by issuing an invitation to tender (**ITT**).

The tender procedure shall then follow the **NORTH LINCOLNSHIRE HOMES** procurement and procedural guide for the selection and monitoring of contractors and consultants.

7. **BE AWARE**

The following principles are important:-

If the nature of the procurement changes from that originally advertised and specified, then a new exercise will need to be commenced

- Pricing changes are particularly vulnerable to challenge;
- All tenderers must be treated fairly;
- All discrimination must be avoided;
- Tenderers are entitled to be debriefed, and the details of an award must be disclosed in a notice to OJEU

APPENDIX 3

North Lincolnshire Homes – PROCUREMENT ACTION PLAN 2009/2010

OBJECTIVE	ACTION	DETAILS	TARGET DATE	RESPONSIBILITY
<p>To establish a consistent and methodical approach to procurement at North Lincolnshire Homes.</p>	<p>Ensure consistency of procurement policy and contract standing orders throughout NLH</p>	<ul style="list-style-type: none"> • Procurement Manual containing basic procurement advice and NLH contract standing orders to be developed and distributed to relevant staff members • Include briefing on procurement practice at NLH in the induction and include the procurement manual in induction packs 	<p>September 09 & Ongoing</p>	<p>H McGlone C Twilley</p>
<p>To challenge areas of North Lincolnshire Homes to encourage competition and enhance service delivery through effective procurement.</p>	<p>Approved suppliers, contractors and consultants List annual review</p>	<ul style="list-style-type: none"> • Maintain the Approved Suppliers, Contractors and Consultants List • Produce an Approved Suppliers, Contractors and Consultants list procedural document and ensure all staff are aware of it • Produce an annual report on the Approved Suppliers, Contractors and Consultants list pointing out potential areas of concern and feed this into the Continuous Improvement Plan. • Publish a LIVE up-to-date Approved Suppliers, Contractors and Consultants list on the intranet for staff 	<p>April 09 & Ongoing</p>	<p>H McGlone</p>
<p>To ensure all equality and diversity policy and strategy objectives are incorporated into all the procurement activities</p>				

<p>To investigate and take advantage of e-procurement possibilities to promote more efficient procurement processes throughout North Lincolnshire Homes and ultimately deliver a better service to tenants and make savings.</p>	<p>Introduce an electronic internal process of procuring</p>	<ul style="list-style-type: none"> • Introduce the SUN purchase order system • Provide training to all members of staff and authorisers who will use the e-procurement system. 	<p>Dec 09 & Ongoing</p>	<p>H McGlone M Woodward</p>
<p>The challenge areas of North Lincolnshire Homes to encourage competition and enhance service delivery through effective procurement.</p>	<p>Ensure market testing is done where it needs to be done</p>	<ul style="list-style-type: none"> • Conduct a spend analysis exercise and feed this into the Continuous Improvement Plan. 	<p>Oct 09</p>	<p>H McGlone K Featherstone M Woodward</p>
<p>To investigate and maximise whether the use of partners, collaboration, could provide the service at a reduced cost and/ or better quality for the benefit of the tenants.</p>	<p>Attend procurement consortia clubs and look at joint procurement with other RSL's and ALMO's</p>	<ul style="list-style-type: none"> • Join a procurement group of RSL's • Put in place processes that could lead to potential partnering opportunities with other RSL's or ALMO's 	<p>Sept 09</p>	<p>H McGlone</p>
<p>To support the cultural change at North Lincolnshire Homes by supporting and delivering the development of skills, knowledge and empowerment of North Lincolnshire Homes staff in procurement.</p>	<p>Promote procurement skills throughout NLH</p>	<ul style="list-style-type: none"> • Identify a number of 'Procurement Champions' across NLH, based on areas of expertise using the VFMWG • Assess any skill gaps for all staff involved in procurement activity and specify these people for training 	<p>Jan 10</p>	<p>H McGlone C Twilley VFMWG</p>
<p>To secure and embed a commitment and focus of effective procurement from tenants and staff at all levels at North Lincolnshire Homes</p>				
<p>To seek comparisons with other RSL's and LSVT's to show areas of weakness and where North Lincolnshire Homes should be market testing</p>	<p>Benchmark contracts NLH operate against other RSL's</p>	<ul style="list-style-type: none"> • Use Housemark to benchmark contracts • Benchmark through benchmarking clubs contract costs and performance 	<p>June 09 & Ongoing</p>	<p>H McGlone L Usher M Woodward</p>

<p>To increase the levels of tenant and leaseholder involvement in procurement activities at North Lincolnshire Homes</p>	<p>An increase in resident involvement in the determination of service levels at agreed costs</p>	<ul style="list-style-type: none"> • Ensure procurement projects that affect tenants include tenant participation • Support tenants in the Homes Improvement Panel in the capital works programme 	<p>June 09 & Ongoing</p>	<p>H McGlone N Webster K Cowan</p>
<p>To ensure procurement processes are fair, consistent, transparent and operated within the parameters set by European Legislation and for the benefit of tenants, staff and the community.</p>	<p>Standardise Procurement across NLH</p>	<ul style="list-style-type: none"> • Develop standard quote and tender documentation for NLH and upload on the VFM & Procurement intranet site • Revise the procurement manual • Provide training for specified employees around procurement 	<p>Dec 09 & Ongoing</p>	<p>H McGlone Caroline Twilley</p>
<p>To establish a consistent and methodical approach to procurement at North Lincolnshire Homes</p>				
<p>To support the cultural change at North Lincolnshire Homes by supporting and delivering the development of skills, knowledge and empowerment of North Lincolnshire Homes staff in procurement.</p>				
<p>To secure and embed a commitment and focus of effective procurement from tenants and staff at all levels at North Lincolnshire Homes</p>				

<p>To investigate and take advantage of e-procurement possibilities to promote more efficient procurement processes throughout North Lincolnshire Homes and ultimately deliver a better service to tenants and make savings.</p>	<p>Maximise how tenders are advertised to be transparent as an organisation</p>	<ul style="list-style-type: none"> • Introduce a procurement section on the external website including the advertisement of tenders and other useful information • Look at other ways to advertise tenders and encourage participation by SME and BME suppliers 	<p>April 09</p>	<p>H McGlone L Fleming K Cowan T Mosley</p>
<p>To ensure all equality and diversity policy and strategy objectives are incorporated into all the procurement activities.</p>				
<p>To establish a consistent and methodical approach to procurement at North Lincolnshire Homes.</p>	<p>Cost reduction in overall services provision</p>	<ul style="list-style-type: none"> • Record procurement savings through the VFM savings and report to Resources Committee 	<p>Linked to VFM strategy action plan</p>	<p>H McGlone</p>
<p>The challenge areas of North Lincolnshire Homes to encourage competition and enhance service delivery through effective procurement.</p>				
<p>To support the cultural change at North Lincolnshire Homes by supporting and delivering the development of skills, knowledge and empowerment of North Lincolnshire Homes staff in procurement</p>	<p>Ability to deliver effective services to tenants and work successfully with suppliers</p>	<ul style="list-style-type: none"> • Set up a system for contracts managers to be appointed to certain contract. This ensures contracts are monitored properly once a contract has been awarded and that the KPI's are clearly defined and monitored. • Ensure the Contract Database is up-to-date and all information recorded. Use to influence the Continuous Improvement Plan. 	<p>June 09</p>	<p>H McGlone M Woodward</p>
<p>To adopt the Egan principles from 'Rethinking Constructing' and develop a partnered approach to the procurement of the Repairs and Maintenance contracted services.</p>				

<p>To adopt the Egan principles from 'Rethinking Constructing' and develop a partnered approach to the procurement of the Repairs and Maintenance contracted services.</p>		<ul style="list-style-type: none"> • Procure construction contracts using the Egan principles from the Rethinking Construction Report. 	<p>April 10</p>	<p>H Mcglone Technical Services Improvement Team</p>
<p>To ensure procurement processes are fair, consistent, transparent and operated within the parameters set by European Legislation and for the benefit of tenants, staff and the community.</p>	<p>Ensure that the companies contract standing orders are robust and adhered to</p>	<ul style="list-style-type: none"> • Revise the contract standing orders • Educate staff about Contract Standing Orders and make available to view 	<p>Dec 09</p>	<p>M Woodward H McGlone</p>

APPENDIX 4

Jargon Buster

Procurement - Procurement can be defined as “the acquisition of goods, works and services from third parties”. In essence it is about obtaining the best from the marketplace. To achieve this requires the application of professional skills and techniques. Procurement is a broader term than “purchasing” as it includes alternative forms of acquisition, such as hire, rental and leasing for example and concerns the entire process of acquisition. At a strategic level it plays an important role in challenging existing service delivery methods and in the selection and delivery of the right method of service provision.

KLOE – Key Lines of Enquiry

VFM – Value for Money

TSA – Tenant Services Authority

EU (European Union) Procurement Directives – sets out the law on public procurement. Their purpose is to open up the public procurement market and to ensure the free movement of goods and services within the EU.

Contract Standing Orders – The Contract Standing Orders provide the framework rules for NLH procurement of works, goods and services. Following them will ensure value for money, propriety and the sensible spending.

Mixed Economies – is an economic system that incorporates a mixture of private and government ownership or control.

Joint Commissioning – Two or more agencies pooling their resources to implement a common strategy for providing services.

Outsourcing – The transfer of a business function to an external service provider

Whole Life Costing Techniques – are techniques which establish the total cost of procuring a product or service by considering the financial, environmental and social costs accrued by the product or service across its whole life; from design, manufacture, distribution, use and end disposal, not just at the point of purchase.

E-Procurement – automation of any part of the procurement to payment process with electronic tools

KPI – Key Performance Indicator

Framework Agreements – this is an agreement with suppliers to establish terms governing contracts that may be awarded during the life of the agreement. In other words, it is a general term for agreements that set out terms and conditions for making specific purchases (call-offs).

BME – Black and Minority Ethnic Groups

SME – Small and Medium Enterprises

SMART Targets – **S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime-based targets

Housemark - A membership-based organisation helping the social housing sector to improve performance and achieve value for money