

## **PROCUREMENT STRATEGY AND POLICY**

Report of the Director & Company Secretary

### **1. SUMMARY**

- 1.1 The Procurement Policy and Strategy documents currently in use (Appendices 1 and 2) were approved in July 2010. Both documents are due for review in July 2013. Since their introduction it has become clear that the documents have significant areas of duplication and sections that are no longer relevant or over elaborate the point being made.
- 1.2 In light of the comments above the documents have been combined and edited to make the document clearer while still addressing the points made in each individual document.

### **2. RECOMMENDATION**

It is recommended that the Committee approves the introduction of the new combined strategy and policy document, Appendix 3.

### **3. MATTER FOR CONSIDERATION**

- 3.1 The new policy and strategy document (Appendix 3) strives to eliminate any duplication and outdated information. It recognises the strategic importance of Derby Homes' procurements within the wider community and is designed to deliver outcomes that are in line with its corporate strategy. The document further encourages the use of a federated approach and category management to deliver value for money procurements. The document continues to focus on the vision of delivering best value for the people of Derby and has five main objectives:

- complying with the law that governs spending of public money
- secure the best possible value for money
- protect employees from undue criticism
- carry out procurements in an open and transparent manner
- generate market competition.

- 3.2 It sets out to meet these objectives by the provision of:

- strong procurement leadership
- effective capability and capacity
- robust processes
- value for money principles
- delivery of positive outcomes.

#### **4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

Not having a clear strategy and policy on procurement could result in poor purchase decisions which would have significant financial implications on the organisation.

#### **5. LEGAL AND CONFIDENTIALITY IMPLICATIONS**

Derby Homes has a legal responsibility to ensure all procurements comply with European Procurement Regulations. A clear strategy and policy is required to ensure rules can be put in place that ensure these responsibilities are met.

#### **6. COUNCIL IMPLICATIONS**

The strategy and policy documents under consideration apply only to Derby Homes' procurements and therefore there are no known implications for the Council.

#### **7. ENVIRONMENTAL IMPLICATIONS**

The strategy and policy documents address the issue of procurement on the environment.

#### **8. EQUALITIES IMPACT ASSESSMENT**

An equalities impact assessment has not been completed in relation to this document, however, one of the documents main principals is to eliminate discrimination. It is proposed that this principle is carried forward into the Procurement Standing Orders.

#### **9. HEALTH & SAFETY IMPLICATIONS**

Health and safety matters are not dealt with specifically in this document but are addressed in the Procurement Standing Orders.

#### **10. RISK IMPLICATIONS**

A clear strategy and policy will ensure rules can be put in place that legal responsibilities are met and value for money is achieved for the organisation.

#### **11. POLICY REVIEW IMPLICATIONS**

This is a key policy of Derby Homes and is scheduled for further review in 24 months.

The areas listed below have no implications directly arising from this report:

Consultation  
Personnel

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, [phil.davies@derbyhomes.org](mailto:phil.davies@derbyhomes.org) – Phone: 01332 888528

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Background Information: None.

Supporting Information: None.

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# Procurement Policy

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Derby Homes

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2010/2011

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# Procurement Policy

## 1. Introduction

This document sets out the guiding principles that will characterise procurement in Derby Homes. These principles are used to shape the following Derby Homes' procurement related documents

- Strategy for Procurement;
- Standing Orders;
- Procurement Handbook.

## 2. Legal Implications

Derby Homes has three legal obligations in the context of its externally provided goods and services:

- Compliance with Public Procurement regulations;
- Contractual obligations, as governed by English contract law, and those contracts entered into between Derby Homes and its suppliers;
- To consult with its customers (tenants).

A contract does not have to be a formal written document to be valid. A conversation with a potential supplier can create a contract that is legally binding. Almost all commercial transactions give legal rights to both the buyer and seller.

It is appropriate therefore, to ensure Derby Homes Standing Orders and Practices and Procedures comply with public procurement and contract law.

## 3. Procurement

Derby Homes' is a public body and therefore not only subject to public procurement regulations but also government guidance, in particular, the Department for Communities and Local Government (CLG). CLG have published their National Procurement Strategy (NPS) which promotes better procurement practices as a way of improving the quality, delivery and cost effectiveness of local services.

NPS defines procurement as "the process of acquiring goods, works and services, covering both acquisitions from third parties and from in house providers". Procurement is a business function which the whole of Derby Homes draws upon.

Procurement spans the whole cycle from identification of needs through to the end of a service contract or the end of the useful life of an asset. It involves options appraisal and the critical "buy or build" decision. In a procurement process "obtaining best value for money" means choosing a bid that offers the best combination of costs and benefits to meet the organisations and its customer's requirements. It means monitoring the ongoing revenue costs as well as any capital investment. The way Derby Homes buys means it can also deliver social, environmental and other strategic objectives.

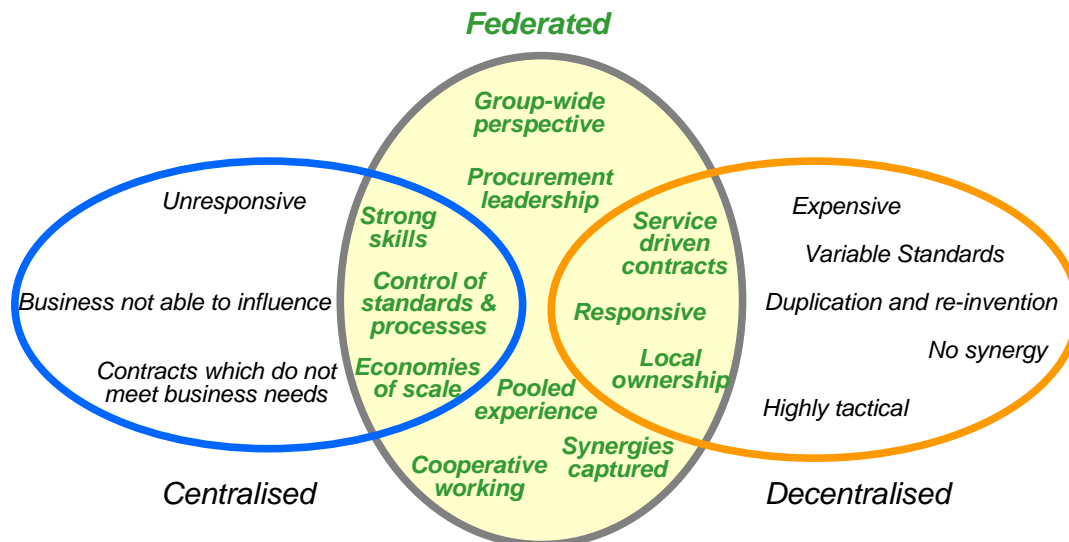
## 4. Procurement Principles

There are five key principles which shall shape Derby Homes Procurement activity:

- Effective organisation of resources and processes
- Strong Leadership
- Demonstrating value through category management
- Clear processes & procedures
- Delivering positive outcomes for the people of Derby

### 4.1. Organisation of Resources

The level of procurement expenditure at Derby Homes does not justify the deployment of a full-time professional procurement resource. Therefore, Derby Homes shall adopt a federated procurement regime as shown in the diagram below. This regime will govern the way procurement will operate in Derby Homes.



Derby Homes' procurement Standing Orders, Practices and Procedures shall be shaped by the federated procurement model which focuses on leadership and delegated responsibility. For Derby Homes, this is the most effective use of resources to ensure compliance with the procurement obligations set out above.

Derby Homes Procurement Policy therefore is to:

- Provide leadership and appropriate procurement related resources;
- Ensure that all procurement activity is aligned to Derby Homes' business aims and objectives;
- Consider external stakeholder guidance where appropriate;
- Ensure those undertaking procurement and managing suppliers are trained and equipped with appropriate knowledge;
- Ensure the procurement processes are clear and focused on delivering value for money;

- Ensure all procurement activity balances whole life cost against customer benefit in a manner that is open, transparent and supported with evidence wherever possible;
- Manage suppliers proactively post contract;
- Use Derby Homes' buying power to ensure optimal sustainability and value for money;
- Collaborate with other local and regional procurement initiatives to optimise value for money where appropriate;
- Where procuring on behalf of Derby City Council, apply DCC Contract Procedure Rules;
- Adopt electronic tools and techniques where appropriate and justified;

These policies are reflected in the:

- **Strategy for Procurement** – this sets out how and why procurement within Derby Homes is organised;
- **Standing Orders** – the rules and procedures for procurement;
- **Procurement Handbook** – decision trees, templates and guidance to those undertaking procurement related activity.



## 4.2. Strong Leadership

The following organisational structure, illustrated right, sets out how Derby Homes will demonstrate leadership and affects appropriate governance for the way it uses its financial resources:

### 1. Resources and Remuneration Committee

- Ensuring that there is adequate ownership of the procurement policies, practices and procedures and that the Executive Director Officers are held accountable for risks and value for money.

### 2. Executive Director Officers

- Define strategy and the infrastructure of day to day procurement decision making;
- Accountable for value for money and the approach to risk management.

### 3. Head of Finance

- Custodian and champion of the procurement policy and strategy;
- Accountable for how financial resources are spent.

### 4. Lead Officer for Procurement

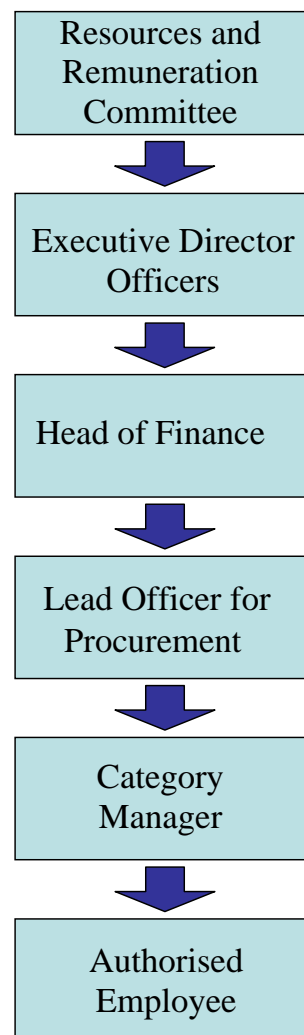
- Accountable for the deployment of practices and procedures and compliance thereof;
- Source of knowledge, advice and guidance;
- Knowledge of Derby Homes procurement activity and contractual landscape
- Maintenance of standards and skill sets.

### 5. Category Manager

- The individual nominated to:
  - Understand the characteristics of the market for specific goods and services;
  - Appreciate the total Derby Homes demand for those goods and services;
  - Develop and implement plans to secure appropriate channels to market and/or contracts which deliver those goods and services;
  - Monitor and report on the performance of suppliers in the category;
  - Monitor and report on Derby Homes spend in the category.

### 6 Authorised Employee

- The individual nominated, in accordance with the adopted practices and procedures, to:
  - Procure the necessary contracts or frameworks;

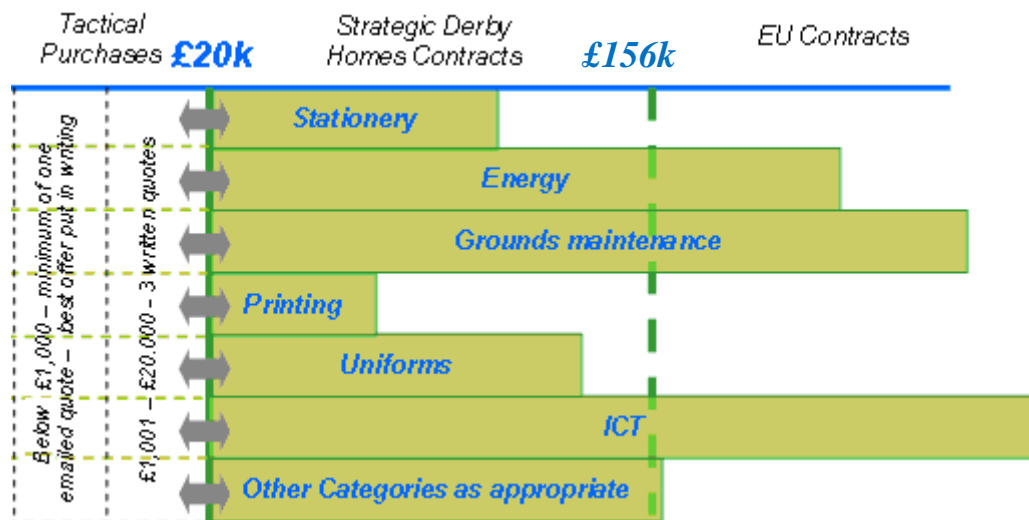


- Call off from Derby Homes contracts or frameworks;
- Buy goods and services on the open market as appropriate.

### 4.3. Demonstrating Value: Category Management

The Lead Officer for Procurement shall monitor all spend and classify into spend categories. Where the aggregated spend in any category is substantive (normally in excess of £20,000) and where there are opportunities for making efficiencies and/or securing additional value for money, a Category Manager shall be appointed from within the existing team. The Category Manager shall develop and implement an appropriate Category Plan for spend and communicate the procurement arrangements to the wider purchasing community within Derby Homes.

The following schema for goods and services illustrates the recommended approach and builds upon the federated approach. The categories shown in this schema are for illustrative purposes and other categories shall be added, or taken away, as appropriate in accordance with the needs of the business.



### 4.4. Clear Process & Procedures

The specific procurement regulations for Derby Homes are set out in the Standing Orders and underpinned with decision trees and templates in the Procurement Handbook. Processes set out in the Standing Orders are as follows:

- EU rules shall apply to all aggregated purchases of goods and services above the prevailing threshold (currently c.£156,000 calculated by reference to the contract spend over the life of any contract and not just arising in any one financial year;
- If the spend is in relation to a works contract the EU threshold is currently £3,930,000
- All procurement between £20,001 and the EU threshold shall conform to an agreed Category Plan, which might include the use of Approved Supplier Lists, where developed and/or be subject to a formal procurement exercise in accordance with the Standing Orders;
- For any purchases below £20,000, which do not fall within a 'Procurement Category', the following regime shall apply:

- Between £0 and £1000 seek a minimum of one emailed quote and the one offering best value shall be set out in writing, securing a short description of the services or goods to be provided including delivery arrangements etc.
- Between £1001 and £20,000 secure a minimum of three written quotations, which should be in response to a statement of requirements.
- All procurement activity shall take into account appropriate Derby Homes Sustainable Procurement guidance and wider best practice (see 4.5);
- The sourcing of goods and services in Strategic Categories will confirm to the processes outlined within the relevant Category Plan;
- In order to reduce the number of suppliers and to ensure good suppliers are retained, Derby Homes shall secure feedback from Authorised Employees regarding supplier performance. The mechanism for this will be developed as the category management function matures within the organisation but must at all times be appropriate to the level of expenditure and type of service procured.

Specific details are set out in the Standing Orders and Procurement Handbook.

## 4.5. Positive Outcomes: Sustainable Procurement

Derby Homes recognises that procurement has a key role to play in delivering positive outcomes for the people of Derby.

Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst maximising environmental, social and economic opportunity.

As a social enterprise, a business or service with primarily social objectives whose surpluses are principally reinvested for that purpose in the community, rather than being driven by the need to maximise profit for shareholders and owners, procurement is the most effective way of using spend to benefit the local community, in this case, Derby.

Derby Homes will adopt sustainable procurement principles to ensure:

- The environment is protected;
- Local businesses and citizens benefit from expenditure;
- Discrimination is eliminated.

Sustainable procurement includes:

- Minimising carbon footprint;
- Minimising waste and pollution;
- Optimising supplier resilience;
- Securing local employment and stimulating local business;
- Employing staff according to best practice equality, diversity and inclusion principles.

## 5. Review Process

This policy document will usually be reviewed annually or earlier in line with changing business needs. The next review is planned for April 2012.

<b>Approved by:</b>	Resources, Remuneration and Regeneration Committee on 08.07.2010
<b>Effective date:</b>	01.02.2011
<b>Review date:</b>	01.02.2014
<b>Policy developed by:</b>	Finance Team
<b>Associated Documents:</b>	Strategy for Procurement Contract Standing Orders Procurement Handbook

## Appendix 2

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# Strategy for Procurement

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Derby Homes

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# Strategy for Procurement

## 1. Introduction

Derby Homes is an Arms Length Management Organisation established by Derby City Council in April 2002 to manage the social housing stock of the city. It manages 13,600 homes with an overarching corporate objective to:

**“Provide the people of Derby with the best housing service in the country”**

Over the past 5 years procurement has risen in importance in both the public and private sector typified by the release of the Gershon Report in 2005 which challenged all public sector bodies to make significant reductions in expenditure through aggregation and effective procurement. As such Derby Homes is committed to ensuring that effective procurement practices and process are in place across the organisation and that Derby Homes is able to demonstrate:

- Best value in the procurement of externally sourced good and services
- Best practice in procurement process and control of expenditure
- Its ability to meet legal and ethical obligations to manage spend in a manner appropriate to its impact on the organisation and customers.

## 2. Procurement in Context

### 2.1 Procurement Budget

Derby Homes has an annual budget of over £14m pa, of which c.£5m is spent on externally sourced goods and services. For the purposes of this document this is defined as procurement categories where Derby Homes typically has discretion in supplier appointment and expenditure. Rent, rates, tax, legislative charges, direct costs of employment, intercompany payments e.g. to Derby City Council have therefore been excluded for the purposes of this document. The top 10 categories constitute £3.2m or 64% of total procurement expenditure.

<b>Category</b>	<b>% of Procurement Spend</b>	<b>Spend in £000's</b>
IT	23	1,114
Grounds Maintenance	16	776
Energy	5	227
Telephones	4	169
Professional charges	3	165
Furniture and Equipment	3	163
Insurances	3	163
Cleaning	3	141
Training expenses	2	131
Printing	2	119
<b>Total</b>	<b>64</b>	<b>3,168</b>

## 2.2 Strategic Importance

Given the relatively low level of procurement spend within Derby Homes, the strategy and management for procurement has not been a key focus area for the organisation. However, Derby Homes SMT recognises that there is significant value to be derived from effective procurement and is committed to ensuring that there is a robust strategy and process in place to help Derby Homes deliver improved outcomes in line with the wider corporate strategy.

## 2.3 Legislative Background

Derby Homes' is a public body and is subject to public procurement regulations and significantly influenced by government guidance. Therefore, all procurement activity undertaken at Derby Homes must be in line with EU procurement regulations and its own Contract Standing Orders. The ability to demonstrate not just best practice but also probity in procurement at all times is critical.

## 2.4 Relationship with Derby City Council

As part of its responsibilities, Derby Homes is required in some circumstances to procure goods and services on behalf of Derby City Council. Where this is the case, Derby Homes is required to observe the procurement processes, standing orders and agreements put in place by Derby City Council. This strategy however focuses primarily on expenditure upon which Derby Homes has discretionary control.

# 3. Vision & Objectives

## 3.1. Vision

*"An approach to procurement which ensures best value for money for the people of Derby and supports delivery of the positive social outcomes within the community"*

## 3.2. Procurement Objectives

Derby Homes Procurement objectives are designed to support this vision and fall into 5 key areas:

- **Strong Procurement Leadership:** Procurement activity will be clearly linked to delivery of corporate aims and objectives;
- **Effective Capability & Capacity:** Team members undertaking procurement and managing suppliers will be appropriately trained and equipped;
- **Robust Processes:** Procurement processes will be efficient and easy to use;
- **Ensuring Value for Money:** Procurement will be focused on delivering and demonstrating value for money;
- **Delivering Positive Outcomes:** Procurement will be focused on delivering and/or supporting positive outcomes for the people of Derby.

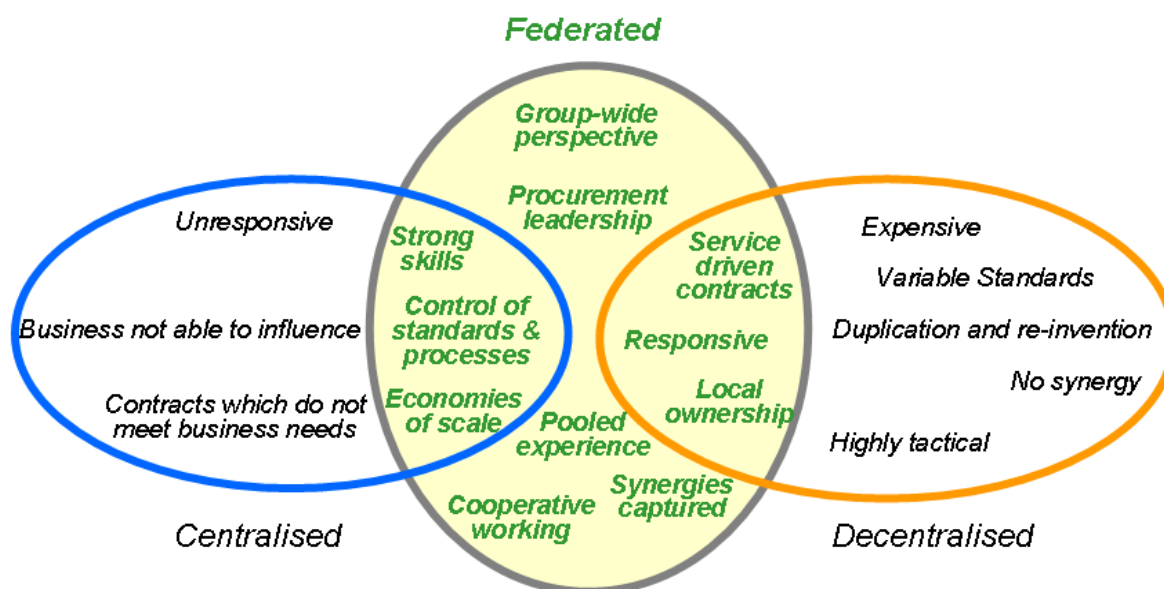


## 4. Our Approach

### 4.1. Federal Model for Procurement

Derby Homes recognises that although procurement has an important role to play in the achievement of corporate objectives, it is critical that the approach to procurement fits the scale and culture of the organisation. In this regard Derby Homes has chosen to adopt a Federated model for procurement designed to deliver the following key outcomes:

- Strong and consistent leadership
- Clear control and process efficiencies
- A strategic approach to managing spend
- A procurement infrastructure which reflects the relative importance of procurement within the organisation.



### 4.2. Category Management

As part of the Federated model Derby Homes has chosen to adopt a Category Management approach to procurement. Category Management has been identified as best practice across the public sector. It is a structured approach which seeks to identify key areas of expenditure and managing them to deliver a declared set of objectives. This approach combined with a Federated infrastructure allows Derby Homes to nominate Category Managers from within the existing team ensuring ownership of suppliers and outcomes without the need for significant additional resources.

## 5. Key Focus Areas & Actions

Through a comprehensive review process conducted between February and April 2010, Derby Homes has identified the following actions over the next 2 years to ensure the objectives identified in this document are realised:

### **1. Strong Procurement Leadership**

- Clearly define an executive owner for procurement who will report to the Resources and Remuneration Committee on discretionary expenditure
- Resources and Remuneration Committee recognise and acknowledge that strategic contracts are a resource into which significant investment is made and will provide appropriate oversight and governance
- SMT will actively sponsor a Category Management approach to procurement and provide a forum for debating the performance of strategic contracts.

### **2. Effective Capability & Capacity**

- Adopt a federated approach to procurement which leverages existing resources
- Nominate a Lead Officer for procurement from within the existing team or appoint external strategic advisors to provide advice and guidance to those who procure and to fulfil the obligations set out in the Procurement Standing Orders;
- Nominate Category Managers to manage the strategic contracts/categories
- Provide appropriate training and support to nominated Category Managers

### **3. Robust Processes**

- Develop Procurement Standing Orders which promote best practice ensure probity without creating an unnecessary administrative burden
- Develop a Procurement Portal on the intranet using the material developed for the Derby Homes Procurement Handbook and purchasing arrangements established by the Category Plans
- Review budget authority, delegated authority and Account Code ownership aligned to procurement categories

#### **4. Ensure Value for Money**

- Develop Category Strategies/Plan for strategic contracts/categories to ensure value for money is achieved
- Actively manage suppliers post contract award and maintain the Contract Register
- Collaborate with other organisations to leverage spend
- Secure regular customer satisfaction feedback on major suppliers and use to enhance supplier performance

#### **5. Delivering Positive Outcomes**

- Develop a Sustainable Procurement Strategy, which should focus on Supplier:
  - Equality, diversity and inclusion policies;
  - Carbon footprint and emissions reduction;
  - Energy resilience;
  - Ethical trading;
  - Environmental policies
  - Contribution to local economy e.g. using LM3 measures
- Regularly report on the performance of contracts against the criteria identified above

## **6. Transition & Implementation**

Upon approval of this strategy, the following outline implementation plan will be enacted focused around three transformational areas.

### **6.1. Governance and People**

To ensure appropriate governance is in place and procurement resources mobilised, the following actions will be taken:

- SMT and Resources and Remuneration Committee recognition of the importance of procurement
- Confirm nomination of an executive sponsor for procurement
- Agree key Account Codes/Procurement Categories
- Refine the Finance System Account Codes to reflect the new regime for management and reporting as appropriate
- Appoint Account Code/Category Managers.

### **6.2. Tools and Resources**

Whilst the governance is being established the following needs to be put in place:

- Confirm and refine the new procedures
- Communicate the new arrangements
- Finalise the handbook
- Develop procurement portal
- Update the Contract Register

- Establish the Contract Files and gather all commercial documents into one place
- Commence provision of support to category managers.

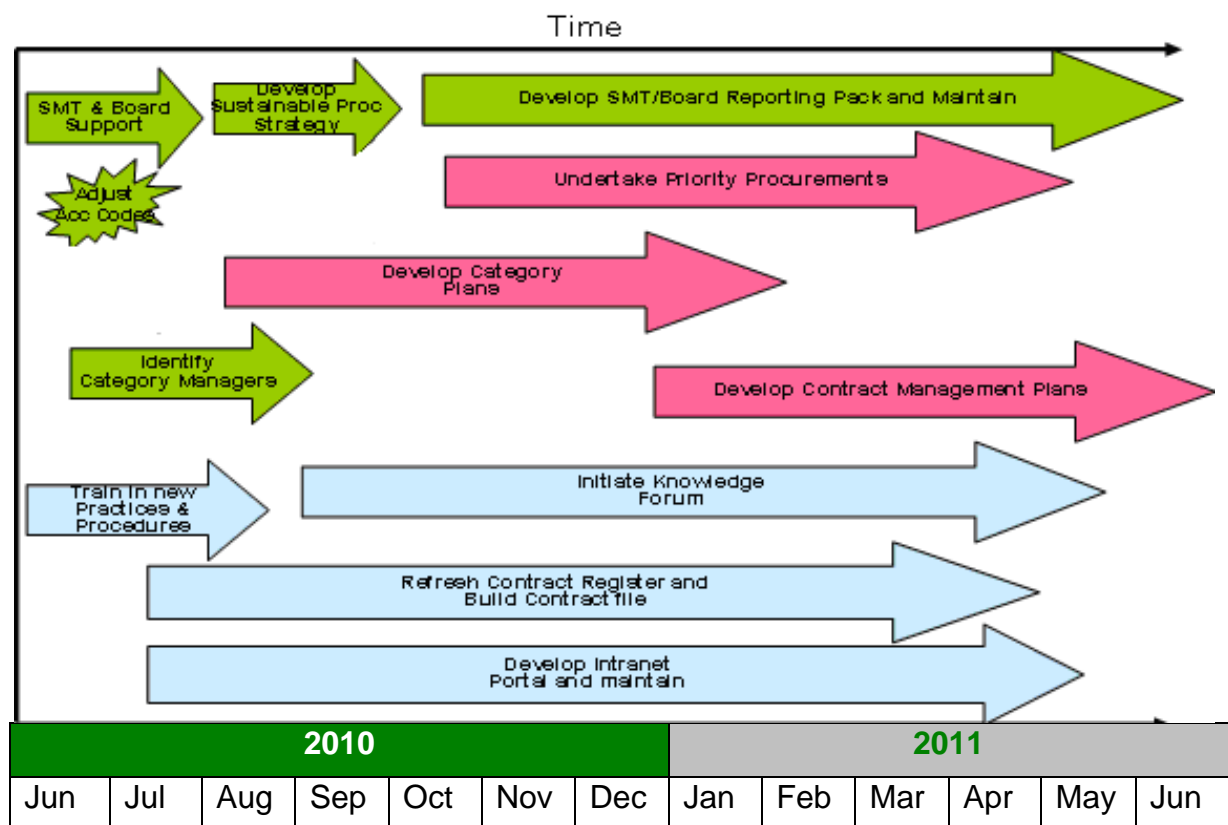
### 6.3. *Priority Procurements*

Once 6.2 and 6.3 are underway it is then possible to address the cost saving and risk reduction opportunities:

- Validate categories and spend within;
- Identify priority categories and develop Category Plans using guidelines contained within this document;
- Implement procurements in accordance with the plan;
- Manage the appointed supplier in accordance with the Contract Management Plan.

### 6.4. *High Level Implementation Plan*

The following diagram shows the high level route map for implementation. The actual time plan will be refined upon adoption of the strategy document by the Resources & Remuneration Committee, and once resources have been identified.



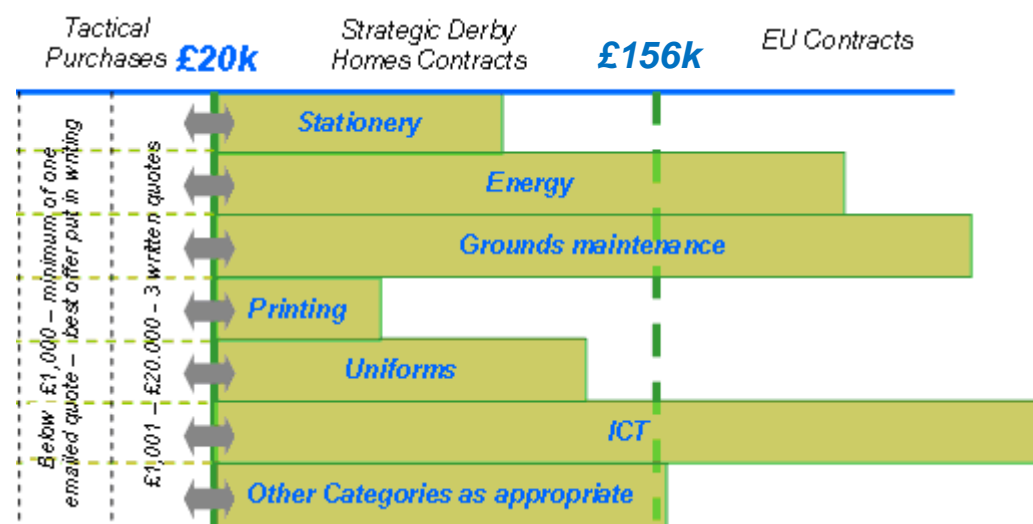
## 7. Category Management Guidelines

### 7.1. Introduction

Derby Homes approach to Category Management is based around the following key steps which will be undertaken for all strategic categories:

### 7.2. Identifying Strategic Categories & Contracts

The Lead Officer for procurement will review the existing spend profile and identify strategic categories and contracts i.e. categories and/or contracts which have a material impact on the performance of the organisation against corporate objectives. The Lead Officer for procurement following consultation with the Executive Sponsor for Procurement will then nominate Category Managers from within the existing team to own expenditure and to be responsible for developing category plans. The schema below provides an overview of the likely output for goods and services.



If the spend is in relation to a works contract the EU threshold is currently £3,930,000.

### 7.3. Category Plans

Each of the nominated Category Managers will develop a category plan for each area of responsibility. Plans should be commensurate with the size of spend and should consider the following factors:

- Category objectives and their link to corporate objectives
- Demonstrating value for money
- Type and state of market
- Achieving leverage and economies of scale
- Procurement approach appropriate to the category
- Value added services
- Process efficiency e.g. invoices numbers
- Sustainability

## 7.4. **Contract Management & Contracts Register**

Once a supplier agreement is in place, nominated Category Managers will take responsibility for:

- Updating contracts register
- Dealing with major supplier performance issues
- Reporting performance to the Resources & Remuneration Committee or other appropriate stakeholders
- Conducting regular supplier reviews and monitoring Key Performance Indicators.

## 7.5. **Transactions**

Once a strategic supply agreement is in place, transactional purchasing will be devolved to the most appropriate resources within the organisation.

## 7.6. **Non-Strategic Spend**

Derby Homes recognises that it has limited resources and needs to ensure that procurement does not become an unnecessary administrative burden on the organisation. Tactical spend which does not fall in to a strategic category will be managed on a transactional basis by the Officer who has identified the business needs subject to budget approval. Spend of this type should be undertaken in line with the processes identified in Contract Standing Orders.

## 8. **Expected Impact**

We expect, through the successful implementation of this strategy, to have the following impact:

- Implementation of new supplier agreements which demonstrate value for money
- Savings to be unlocked from new and existing supplier agreements which can be reinvested by Derby Homes in support of corporate objectives
- Clear plans will be in place for all strategic categories/contracts against which performance can be measured

## 9. **Strategic Review Process**

This strategy will usually be reviewed annually or earlier in line with changing business needs. The next review is planned for April 2012.

<b>Approved by:</b>	Resources, Remuneration and Regeneration Committee on 08.07.2010
<b>Effective date:</b>	01.02.2011
<b>Review date:</b>	01.02.2014
<b>Policy developed by:</b>	Finance Team
<b>Associated Documents:</b>	Procurement Policy Contract Standing Orders Procurement Handbook

# Derby Homes

## Procurement Strategy and Policy

## **Introduction**

Derby Homes is an Arms Length Management Organisation established in 2002 to manage Derby City Councils housing stock. The Organisation manages approximately 13,000 social housing units with an over arching corporate objective to "To secure the best future for Council housing tenants and services in Derby."

Derby Homes is committed to ensuring effective procurement practices and processes are in place across the organisation to ensure it meets its objectives of:

- Complying with the law that governs spending of public money
- Secure the best possible value for money
- Protect employees from undue criticism
- Carry out procurements in an open and transparent manner
- Generate market competition

This document sets out the guiding principles that will characterise procurement in Derby Homes. These principles are used to shape Derby Homes procurement standing orders.

## **Legal implications**

Derby Home is a public body and is subject to public procurement regulations it is also significantly influenced by UK government guidance. All procurement activity undertaken by Derby Homes must be in line with EU procurement regulations and English law. It is therefore appropriate to ensure the Derby Homes Procurement practices and procedures all comply with the aforementioned legislation.

## **Relationship with Derby City Council**

As part of its responsibilities Derby Homes, in certain circumstances is required to procure goods and services on behalf of Derby City Council. Where this is the case, Derby Homes must observe the Council's rules on procurement. This document and related documents focus solely on procurements for Derby Homes.

## **Procurement**

The national procurement strategy defines procurement as "the process of acquiring goods, works and services, covering both acquisitions from third parties and in house providers"



Procurement spans the whole cycle from identification of need through to the end of the service or the disposal of the asset. It involves important critical decisions that affect the ability to achieve value for money. This is achieved not only by choosing the bid that offers the lowest price but is a combination of price, service delivery and quality.

## **Strategic Importance**

Given the previously relatively low level of procurement within Derby Homes, the strategy and management for procurement has not been a key focus area for the organisation. However, due to the increase in spend due to the incorporation of the repairs team within the organisation, Derby Homes' Board recognises that there is significant value to be derived from effective procurement and is committed to ensuring that there is a robust strategy and process in place to help Derby Homes deliver improved outcomes in line with the wider corporate strategy.

## **Procurement vision and objective**

The Derby Homes vision for procurement is “to deliver an approach to procurement which ensures best value for the people of Derby and supports delivery of the positive social outcomes within the community”

Derby Homes Procurement objectives are designed to support this vision and fall into 5 key areas:

- **Strong procurement leadership**  
Procurement activity will be clearly linked to delivery of corporate aims and objectives.
- **Effective capability and capacity**  
Team members undertaking procurement and managing suppliers will be appropriately trained and equipped. They will be able to carry out the initial procurement and engagement of a service provider and manage them proactively post contract
- **Robust processes**  
Procurement processes and procedures will be clear, efficient and easy to use. Processes will ensure all procurement activity balances whole life cost against customer benefit in a manner that is open, transparent and supported

with evidence wherever possible. The adoption of electronic procurement tools and techniques will be encouraged.

- **Ensuring value for money**

Procurement will be focussed on delivering and demonstrating value for money through a federated approach and category management using Derby Homes buying power to optimise sustainability and value for money. Where possible all collaborative procurement will be encouraged with local and regional procurement initiatives to realise value for money

- **Delivery of positive outcomes**

Procurement will be focussed on delivering and/or supporting positive outcomes for the people of Derby.

## **Governance and leadership**

The Board and Resources, Remuneration and regeneration Committee of Derby Homes recognises the importance of procurement, ensure there is adequate ownership of procurement policies, practices and procedures and that the Chief Executive and executive directors of the organisation are held accountable for risk, performance and value for money.

The Executive and Senior management team will appoint a Lead Procurement Officer; define a strategy and infrastructure for day to day procurement decisions. Be accountable for management of risk, value for money and performance.

The Head of Finance will be responsible for providing financial information to support the procurement practices and policy and for championing the procurement rules

The Lead Procurement Officer will be the custodian of the procurement rules and all matters relating to procurement along with the deployment of procurement practices, procedures and monitoring compliance with this policy and the procurement rules. The Lead Procurement Officer will provide a source of knowledge, advice and guidance and for maintaining standards and skills as well as being aware of Derby Homes' procurement activity and contractual landscape.

Category Managers will understand the characteristics of the market for specific goods and services, be aware of and appreciate the total demand for those goods and services, develop and implement category plans, and monitor and report on performance and financial matters

Authorised Employees will be responsible for undertaking the procurement of goods and services designated to them by Category Managers in line with the Procurement Rules

### **Federated procurement approach**

Derby Homes recognise that although procurement has an important role to play in achieving corporate objectives, it is critical that the approach to procurement fits the scale and culture of the organisation. The level of procurement expenditure within Derby Homes does not justify the deployment of a full time professional procurement resource. In this regard Derby Homes has chosen to adopt a federated model for procurement designed to deliver the key outcomes:

- Strong and consistent leadership
- Clear control and process efficiencies
- Strategic spend management
- Delivery of a relative procurement infrastructure

The advantages of operating a federated approach are:

- Group wide perspective
- Procurement leadership
- Pooled experience
- Co-operative working
- Synergies captured
- Strong skills
- Control of standards and process
- Economies of scale
- Service driven contracts
- Responsive
- Local ownership

Derby Homes' procurement rules practices and procedures are shaped by the federated procurement model which focuses on leadership and delegated responsibility. For Derby Homes this is the most cost effective use of resources to ensure compliance with its procurement obligations set out above

## **Category management**

As part of the federated model, Derby Homes has chosen to adopt a Category Management approach to procurement. Category Management has been identified as best practice across the public sector. It is a structured approach which seeks to identify key areas of expenditure and managing them to deliver a declared set of objectives. This approach combined with a federated infrastructure allows Derby Homes to nominate Category Managers from within the existing teams ensuring ownership of suppliers and outcomes without the need for significant additional resources.

Derby Homes' approach to Category Management is based around the following key steps which will be undertaken for all strategic categories:

The Lead Procurement Officer will review the existing spend profiles and identify strategic categories and contracts. The focus of this review will be to identify categories and contracts that have a material impact on performance of the organisation against corporate objectives. The Lead Procurement Officer will then nominate Category Managers from within the existing teams to own the expenditure and be responsible for the development of a category plan.

Each of the nominated Category Managers will develop a category plan for each area of responsibility. Plans should be commensurate with the size of spend and should consider the following factors:

- Category objectives linked to corporate objectives
- Value for money
- Type and state of market
- Leverage and economies of scale
- Procurement appropriate to category
- Value added service
- Process efficiency
- Sustainability

Once a category plan has been developed an Authorised Employee will be nominated to carry out the procurement and appointment of a supplier and/or service provider.

Following appointment, together the Category Manager and Authorised Employee will

- Arrange for the contract register to be updated
- Deal with supplier performance issues
- Report performance to the Board of directors and/or its committees as appropriate
- Monitor performance and carry out regular reviews
- Implement and manage a system of financial management and control

Derby Homes also recognises that it has limited resources and needs to ensure that procurement does not become an unnecessary administrative burden on the organisation. To eliminate such burden tactical spends which do not fall in to a strategic category will be managed on a transactional basis by the employee identifying the business needs subject to budget approval. Spend of this type will be undertaken in line with the process identified in the Procurement Standing Orders.

### **Sustainable Procurement**

Derby Homes recognises that procurement has a key role to play in delivering positive outcomes for the people of Derby.

Sustainable procurement is a process whereby organisations meet their needs for goods, services, works in a way that achieves value for money on a whole life basis and also generates benefits not only for the organisation but also to the society and economy, while maximising environmental, social and economical opportunity.

As a social enterprise, a business or service with primarily social objectives whose surpluses are principally reinvested in the community rather than being driven by the need to maximise profits for shareholders or owners, procurement is an effective way to benefit the local community.

Derby Homes will adopt procurement principles that ensure:

- The environment is protected
- Local business and community benefit whenever possible
- Discrimination is eliminated

### **Expected Impact**

Through successful implementation of this policy we expect to achieve:

- New supplier agreements that introduce greater value for money
- Savings to be unlocked from existing and new suppliers
- Clear plans against which performance can be measured

## Review Process

This procurement strategy and policy document will reviewed bi-annually or earlier in line with changing business needs. The next review date is planned for July 2014.

Approved by:	Resources, Remuneration and Regeneration Committee on
Effective date:	
Review date:	31 July 2014
Policy developed by:	The Lead Officer for Procurement
Associated documents:	Procurement Standing Orders