



St Georges
COMMUNITY HOUSING

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PROCUREMENT STRATEGY

2006 - 2012

PREFACE

A key part of St Georges Community Housing (SGCH) activities is the procurement of goods and services including major refurbishment schemes, therefore a robust procurement strategy to manage the process effectively within legal requirements and obtain value for money.

There are many challenges facing SGCH over the next four years that will have a direct impact on its ability to procure services in what is considered an already overheated market:

- The ability to deliver the “Decent Homes” strategy and meet the targets set by Communities and Local Government (CLG) office, together with the expectations of both the Board and the residents served by SGCH, and on behalf of Basildon D C.
- Competing ALMO’s and RSL’s to deliver their programmes especially Decent Homes.
- Competition from the Olympic developments within the London area, especially to the east of London.
- Competition from other major development initiatives such as the Stansted Airport proposed expansion, Thames Gateway housing development initiative, and Stratford Village, all of which will be competing against a limited skills and material supply market.
- To embrace the Egan principles of “Rethinking Construction” in a Partnering procurement ethos.
- The need to obtain Best Value, and demonstrate a robust process in ensuring we are delivering “Continuous Improvement”.
- In establishing the size of programme, subject to ALMO funding, we are looking to deliver stock investment more innovatively through our procurement process to maximise on our purchasing ability, not only on costs, but on “added value”.
- Taking steps to minimise as far as possible the rise in costs often associated with an overheated market.
- Reducing costs and using existing resources, especially staff, better to deliver the programme.
- Increased opportunities for resident participation and choice.

The strategy for discussion within this draft document is aimed at focusing and developing this process for the benefit of all stakeholders, whilst reducing the risk for competing demands especially those centred on the Olympic developments.

1. Procurement Strategy

The strategic aim of this document is to ensure the opportunities are made available to provide a more focused service to residents whilst bringing “Continuous Improvement” through Best Value initiatives offered through a robust procurement strategy.

This will allow a regular review of market trends whilst leaving St Georges Community Housing some freedom of movement to seek the best available options given the volatile market anticipated in competing for resources against major competitors such as Thames Gateway, other Social Landlords delivering the Decent Homes agenda by December 2010 (or such revised date as may be announced), and the development of the Olympic Games projects.

At the same time, legislation is constantly moving and more demands are being made to improve in several areas, such as energy efficient buildings, including residential buildings, reduction in emissions, and sustainable products. Efficiencies in all areas of activities are required through Continuous Improvement, where innovative ideas need to be considered and where appropriate, incorporated within existing contracts. The best collaborative way of incorporating these changes is through the Partnering agenda rather than more traditional forms of contracts that have less flexibility and a more adversarial approach.

To achieve this a lot more work has to be commissioned at the front end of projects, which has a cost implication. This, by its very nature, demands a review and overhaul on the methods we use for procurement, and economies of scale are key factors for consideration.

Procurement costs can increase by some 10% at least, when compared with more traditional methods on a like for like basis. However, by reviewing the method of procurement, and combining works into a more comprehensive programme based on either a geographical basis or a work need definition, substantial savings in excess of 10% can be demonstrated. This can be used to demonstrate targeting the “Gershon” agenda set by the Government which Public Sector organisations are required to achieve.

The client function has five distinctive strategic roles in delivering its Reinvestment and Repairs programmes including Decent Homes –

- Financial – *Securing funding; budget projection and setting; incorporating out-turn costs within budget projections*
- Programme – *Develop, set and deliver programmes in a timely manner, within budget, and to agreed standards. Maintain up to date stock asset register*
- Technical – *Set standards of quality and reliability, reduce on-going maintenance costs, incorporate feedback into future programmes and financial appraisals*
- Sustainability – *Drive innovation through procurement to reduce carbon emissions, and fuel efficiency, ensuring the Affordable Warmth agenda for social residents is delivered.*
- Improved Customer Care – *Working in Partnership with residents and the communities, and forming close relationships to **ensure** Customer Care is identified as a factor within the procurement processes.*

The Procurement Team within Property Services needs to work closely with stakeholders, both within SGCH, BDC and external stakeholders, not least of all

residents, to ensure those projects and services procured are meeting the needs and challenges of the service delivery teams. It needs to be focused and able to drive change forward is seen as the most viable alternative to current and more traditional systems of procurement for St Georges Community Housing to meet these objectives.

2. Aims

The aims of this Procurement Strategy are five-fold:

1. To compliment and support the strategies of Basildon District Council. Whilst providing a framework for St Georges Community Housing to conduct its business.
2. To support initiatives within the local communities by ensuring that when procuring services or employing labour, this is targeted at the District. Like most districts, Basildon has areas of deprivation. Therefore sustaining communities by directing employment and training is essential if these communities are to experience a better quality of life in the future. Basildon D C is a major investor and employer in the area, and any reduction in the level of investment would only result in further decline.
3. To actively develop energy efficient systems for residents that has a real effect on reducing running costs. Affordable heating and hot water is considered a basic human right, and with ever increasing running costs there has to be a concerted effort to maintain affordability to the end user.
4. To encourage officers to work and invest with its suppliers to develop new more sustainable products that are manufactured, and disposed of in an environmentally friendly manner. These initiatives are to include:
 - sustainable alternatives to PVCu windows and doors
 - solar power for hot water, and eventually heatingThere will be many more initiatives that will be identified during procurement that officers should be encouraged to challenge manufacturers and suppliers.
5. To reduce the risk to St Georges Community Housing over the next decade on problems of supply and demand that could prevent it meeting its core objectives in stock re-investment, Decent Homes and an on-going effective maintenance service.

3. Purpose

The Professional Services Division shall be charged with the responsibility to deliver a comprehensive procurement programme to:

- I. Regularise services for St Georges Community Housing
- II. Drive the EGAN agenda at a pace and level applicable to St Georges Community Housing
- III. Reduce staff and associated costs within Property Services by freeing existing resources to concentrate on quality at the operational level
- IV. Maximise collective purchasing powers
- V. Ensure OJEU and other legal/procedural requirements are complied with
- VI. Reduce the risks associated with an over-heated market pertaining to both labour and materials
- VII. Ensure Best Value to St Georges Community Housing, and its stakeholders, including the Board and the residents

In addition existing procedural documents shall be complied with, and this policy is aimed and complementing and supporting those documents, both within St Georges Community Housing and the Basildon D C, such as:

1. Asset Management Strategy
2. Financial Regulations and Contract Procedural Rules
3. Service Delivery Plans
4. Delegation of Responsibility

4. Best Value & Value for Money

In order for the procurement process to be robust it must demonstrate its ability to deliver meaningful long-term benefits for the client (St Georges Community Housing), Basildon DC, and its residents (the customers).

Every element and stage of the procurement process should have Best Value at the centre of its core objectives, defined in such a way as being realistic, meaningful, and most essential, deliverable.

Best Value can be defined in many different ways, and for this purpose the following examples are shown for guidance, and are not deemed to be complete or comprehensive:

- Securing Extended Warranties (with or without independent insurance cover) that are meaningful and not undermined by vexatious clauses
- Improved quality of product, service, or installation that leads to longevity of the works and contributes in a positive manner to reduced maintenance costs
- Demonstrates a need for less maintenance over a period of time compared with the normal specified product or works
- Reduces overheads and on-costs without reducing service or quality by managing the works in a different manner throughout the project period, to bring benefits that can be shared by all stakeholders – this is seen as an on-going process as part of “Continuous Improvement”
- Through a range of Key and Local Performance Indicators, drive out waste, and work towards a “Zero Defects – Right First Time” ethos, and to increase resident satisfaction.
- Through innovative methods look to meet more aspirations of the residents within the constraints and confines of the project and its Agreed Maximum Price
- To share and promote Best Practice and proven successes and benefits to all other stakeholders throughout Basildon by being pro-active in supporting the Strategic Alliance
- To ensure all stakeholders, including the supply chain, specialist and sub-contractors participate effectively at all levels of Partnering through attendance at the Project Groups and where deemed advantageous, the Core Group, or even at the Strategic Alliance on certain occasions.
- Benefits to residents through innovative ideas that reduces running costs, or the need to take prolonged time off work for access to install or maintain
- Contributes in a measurable and positive way to carbon emissions and other ecological issues

This document will at various points make further reference to, and give specific examples of *Best Value*.

5. Material Selection

In identifying and selecting suitable materials, especially major components (gas boilers; taps and shower fittings; electrical equipment; kitchen units; paint; windows and doors including components integral to their proper workings etc) care will be taken to ensure *Best Value* is achieved reflecting:

- Cost
- Suitability and fit for purpose
- Extended and “lifetime” Warranties
- Manufacturer support in both supply and on-going parts replacement
- Ongoing availability
- Standardisation whilst retaining choices
- Product improvement
- Environmental issues both through manufacturing processes, distribution and means of disposal

Materials specified will be required to meet the on-going maintenance aims of reducing costs, and ensuring availability of parts when required and for the lifetime of the product.

All material manufacturers must support a sustainability ethos identifying wherever possible a recycling option as the preferred method of disposal. In the absence of a recycling option, an environmentally-friendly alternative disposable procedure is to be supplied by the manufacturer.

6. Consultant & Contractor Selection

To continue to use the EXOR database for St George’s approved list of contractors where it is below the OJEU limits. Tenders will be sought from this list following Financial Regulations below the OJEU limit, selecting such contractors that are registered for the categories of works being tendered, and being mindful of the need to sustain local employment initiatives.

All contracts for works, services and supplies above the OJEU limits shall be procured and retained be through Framework Agreements through a proper procurement process, as defined within the OJEU legislation.

Through the procurement protocol, every effort shall be taken to ensure bidders bring innovation to the table that demonstrates Best Value for St Georges Community Housing and its residents, in the form of the following:

- The ability of both consultants and constructors to work together as a collective with St Georges Community Housing to reduce duplication, and ultimately costs
- Identification of manufacturers’ financial support to constructors
- Innovative methods of managing and delivering a programme of works
- Willingness to share Best Practice across the stakeholder group within Basildon

Working from the Framework Agreement of Consultants, Contractors and Approved Supply Chain Suppliers/Manufacturers, that is regularly reviewed and approved by the St Georges Community Housing Board, due regard will be given to the following criteria and needs:

- I. Supply Chain Management – ensuring that manufacturers and suppliers work with St Georges Community Housing to deliver the most advantageous packages to meet the aspirations of both Officers and residents and the Board.
- II. Constructors and sub-contractors, including specialist contractors are engaged in accordance with proper procurement procedures, including OJEU requirements

7. Programme Support

The Procurement Team as the approved in-house procurement consultancy service

It is recognised that Procurement Team has been used for many years as the main consultancy for the Housing Service, and as such has developed many skills paramount to delivering the capital-funded programmes, which will now form part of St Georges Community Housing' portfolio. To this end the Procurement Team will be the lead team for the procurement of services for delivering the capital investment and Decent Homes programmes and to support the other divisions within SGCH in its procurement needs.

The Procurement Team will work closely with all teams to ensure it is best placed to procure projects that will allow St Georges Community Housing to meet its deliverable programmes to its residents, and within allocated budgets, whilst ensuring Value for Money.

This will include all of the following:

- Decent Homes Programme
- Estates Improvements and Enveloping works to multi-occupancy buildings
- Service and Maintenance contracts
- Term contracts for responsive repairs, and void works
- Cyclical and Preventative Planned Maintenance contracts
- M&E Service Contracts
- Specialist services (such as cleaning) to other service groups.

It will look at the best advantages in the way packages are developed to ensure St Georges Community Housing maximise its purchasing powers whilst delivering its programme of works on time, within costs and budget, to an agreed quality and aiming for zero defects, whilst setting targets for continuous service improvements through innovation and collaborative working.

8. Sustaining Communities

The Basildon D C has been a major employer of local labour. Likewise it has been a major trainer over the years, Basildon, like most local authorities, has identified areas of skills shortages, and the need to bring new employment opportunities to the district, to support community interests through local employment and apprenticeships.

As part of the Procurement Strategy all companies seeking to work for and deliver a service to St Georges Community Housing will be encouraged to support and sustain initiatives to develop a skills training initiative, and/or support existing initiatives already in place in Basildon.

9. Resident Participation

Through the Procurement Team, and the Project Manager, Resident Participation will be deemed part of every project, **from the inception of the project**, through its various stages, until such times as the project reaches practical completion.

Resident Participation will be in various forms including focus groups to lead on residents' choices and programming.

Contractor, Consultant and Supplier Selection are initiatives where residents are to be encouraged to be actively involved. **The residents participation** is a developing initiative whose Terms of Reference through the Tenants Compact will enable residents through this forum to work closely in Partnership with Officers to select goods and services. Such recommendations, following the OJEU protocols, shall be the formal source of recommendation for approval.

A *minimum* of two residents (preferably one tenant and one leaseholder [where appropriate]), to a maximum four, will be co-opted on and form part of the Core Residents and Officers assessment panel for each and every project. Training will be made available to ensure those co-opted residents are fully conversant with and recognise their role, in procurement of services. Training of residents in this role is key to meaningful participation and empowerment.

Given the amount of procurement commencing in 2007-08, it is envisaged that several residents will have an opportunity to participate, allowing all ethnicities and age groups to be involved over that period.

*It is **not** the role of the assessment panel (including residents) to approve any appointment, but to make recommendations in order that the approval be made in accordance with standing orders, delegated authorities, and contract procedure rules.*

10. Leaseholder Consultation

The recoverable income from the capital programme is liable to rise substantially through the capital investment in the stock. It is therefore essential that driving the programme forward does not compromise the requirements for consultation under s151/s20.

A key role of the procurement team will be to bring officers from leasehold management to the procurement table at an early stage to work with and include a proper process within the programme for consultation, and ensuring leaseholders are properly charged for the works.

It is also key that access to information held by PS within the Stock Condition Database be made available through the Leasehold Unit in a manner suitable for inclusion in all notices that need to be served under s20 legislation to ensure recovery of monies are not impeded.

11. EGAN Agenda and Strategic Partnering

The Professional Services Team will be seen to champion wherever appropriate, the EGAN agenda, and the Strategic Partnering approach to procurement.

In selecting Consultants and Constructors for projects the selection panel (comprising officers, consultant and residents' representatives) will use a module of 60/40-service delivery and cost, based on Treasury Document advice as a guide. Some questions may have a rating, as the criteria may be more significant in the aims and success of the project.

12. Forms of Contract

These will need to be considered carefully for each project, as no form of contract should be viewed as the one-all fix to successful procurement.

PPC2000, and more recently TPC 2005, as the successor to TPC 2001, have proved popular forms of contracts over recent years, and have a lot to offer.

However, new JCT 2005 and NEC3 Partnering forms of contracts are now offering more specific alternatives to PPC 2000 and TPC 2005. These should also be considered.

Constructors and the supply chain are now conversant with PPC 2000 and TPC 2005, and these options may prove beneficial to the core team once the project progresses, as it can give all stakeholders an important "comfort zone" that they are happy to work within based on their experience.

It will be the procurement team's responsibility to consider all aspects on deciding the most appropriate form of contract to use.

The responsive repairs and cyclical contracts are committed to the National Housing Federation (NHF) Schedule of Rates Form of Contract version 5, with amendments.

13. e-Commerce

It will be a procurement requirement that all consultants and contractors will look to provide all documentation in a suitable electronic format once tenders have been submitted.

This is to include electronic CP4 and CP12 documents, H&S and CDM files, Asbestos survey documents, electrical test reports etc.

Gas heating design and layouts will be supplied in a suitable format to populate Keystone Stock Asset Management Register.

14. Making the Selection of Partners

Unlike the more traditional methods historically used by Local Authorities following the requirements of Compulsory Competitive Tendering (CCT), there is now recognition that quality and service delivery is equally important as price. Price in itself is no guarantee of Best Value and reliability, and often bears now relationship to cost. In addition there is no provision under CCT for stakeholders to work together and look at how and when the works can best be delivered to meet the aspirations of the client (Basildon) and its customers (the residents).

In order this is achieved the following matrix will be used as part of the procurement process in identifying those companies best placed to provide a service to suit the need of St Georges Community Housing, and the residents it serve:

60%	Value
40%	Cost

Where VALUE (60%) is represented by the following criteria:

- 15% Reliability (either of the product or the site labour element) with a commitment to:
 - Right First Time agenda
 - Zero Defects
 - including life-time or substantial long-life warranties aimed reducing or eliminating future maintenance costs
- 15% Service Delivery to the client and customer, where a less adversarial more embracing approach is taken
- 15% Through demonstration, the ability to work in a true Partnering ethos as defined in Egan "Rethinking Construction"
- 15% Commitment to the Sustaining Communities agenda, especially in skills training and other local agendas
- 10% Commitment to actively participate in Benchmarking Clubs, to benchmark all aspects of the project (cost, delivery, quality, satisfaction etc) against other like minded organisations and to work towards achieving a ranking in the upper quartile
- 10% Research and Development (Manufacturers only)
or
Site Health & Safety (Constructor and sub-contractors only)
- 10% Respect for all stakeholders, with regular on-site tool-box training sessions for all site personnel, run back-to-back with H&S tool-box training as an example of Best Practice
- 10% Bringing Innovation to the table throughout the project life

Where COST (40%) is represented by the following criteria:

- Actual (true) costs, not price – Open Book accountancy by an independent cost consultant is used as a means to deliver
- Manufacturers support is removed and brought to the table as a benefit for the project in delivering the required works
- Where savings can be brought to the table for the ongoing benefit of all stakeholders
- Where risks are shared and owned by all stakeholders for the long-term benefit of the project and the ultimate customer

Only after a rigorous assessment by a panel comprising appointed officers, specialist consultants (as deemed necessary) and residents, through the Residents and Officers assessment panel, will recommendations for acceptance and approval be made.

It is acceptable that, following consultation, the panel of residents (including leaseholder representation) may have a particular scoring mechanism based on the above matrix, but reflects more the expectations and aspirations of the end user, as opposed to the more detailed technical evaluation by the appointed offices and consultants.

It is indicative that the scoring method and matrix be published in detail in advance to those preparing their bid documents and presentations in order they maximise the service they have to offer against Basildon's requirements.

The selection of Supply and Constructor Partners (including Consultants) will follow the following stages:

- The earlier OJEU procurement process, where the OJEU notice is published not only within the European Journal but the Building Magazine, and Contracts Journal, as the preferred publications identified at Pre-procurement conferences held in July 2006 and where expressions of interest have been made
- A Pre-qualification Questionnaire (PQQ) has been issued and returned. This is aimed at being the first-stage selection process where those who have made the most relevant and strongest submission, supported by a financial viability check, and due consideration has been given to all disclosures (such as pending legal proceedings, previous convictions etc) in an open, fair and robust manner.
- A specific brief (specification) has been issued along with, where necessary, a procurement conference has been held to ensure would be partners are best informed. All and any subsequent queries received have been formally clarified and answered, and circulated to all would be partners, ensuring probity and fairness

The selection will be in the form of a presentation to a panel of officers, specialist consultant and residents (as previously described) and will be in the following format, as a guide:

- 2-3 people from the company to attend as appropriate, including wherever possible the proposed manager of the contract
- Technical Managers, and Directors are encouraged. Sales representatives are discouraged as part of the presentation team as they are not usually considered as bringing value to the table
- The time slot for any one presentation to be 1 hour, with up to 30 minutes for questions afterwards (subject to the complexity of the project)
- Facilities to be made for PowerPoint presentations by would be partners will be available
- Sufficient copies of the supporting documentation will be available in hard copy for the panel members' use on the day, but longer-term documentation will be available in CD/DVD format. This will be provided at the company's expense.

Following this process, depending on the number of Partners required, or depending on the number of Partners that have qualified to this stage, it may be necessary to select a further reduced list and a further round of interviews, presentations and assessments, similar to that described above, be undertaken in order to make a recommendation to the appropriate body charged with approving the appointment(s).

15. Approval following Selection and Recommendation

Before any contract or framework agreement can be entered into, formal approval has to be sought.

No officer of St Georges Community Housing will be able to enter into any form of contract binding or non-binding without such approval having first been secured,

and as set out in the Delegated Authorities procedures within the Financial Regulations and Contract Procedural Rules.

The Board of St Georges Community Housing will approve all contracts over £400,000 and those contracts exceeding £1,000,000 are subject to approval by Basildon D C.

The Board, in order that it can satisfy itself as to the viability, probity and governance associated with the duties of approving contracts through its management agreement, will seek a statement from the Director of Finance in order to satisfy itself that there is no undue risk financial or otherwise that undermines St Georges Community Housing.

GLOSSARY OF TERMS USED IN THIS DOCUMENT

SGCH	St Georges Community Housing
BDC	Basildon District Council
PS	Property Services
CLG	Communities and Local Government
ALMO	Arms Length Management Organisation
NHF	National Housing Federation
HC	Housing Corporation
EU	European Union
OJEU	Official Journal of the European Union
PQQ	Per-Qualification Questionnaire
ITT	Invitation to Tender
CCT	Compulsory Competitive Tender
M&E	Mechanical & Electrical
SoRv5	Schedule of Rates – Version 5
NEC	New Engineering Contract
JCT	Joint Contracts Tribunal
TPC	Term Partnering Contract
PPC	Project Partnering Contract