Better buys

A study of housing association procurement practice

Procurement strategies: getting the basics right
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In February 2008, the Audit Commission and the Housing Corporation published *Better Buys* : a study of how housing associations buy goods and services. The study looked at how housing associations could get better value for money and how residents could influence procurement. And it examined whether the barriers to effective procurement were greater for smaller housing associations.

*Better Buys* says that:

- housing associations are already making savings through better procurement – but they could do much more;
- good procurement can lead to other benefits in the local area such as economic regeneration and jobs for local people;
- a ‘procurement champion’ can help housing associations improve their procurement practice; and
- housing associations can make savings and share skills by working with each other – but they do not always make the best of these opportunities.

*Better Buys* also found that consultation with residents could lead to better procurement and management of repairs services.
Procurement strategy checklist

This checklist should help you in preparing your organisation’s procurement strategy. It is particularly aimed at staff preparing a procurement strategy for the first time and is based on the results of our research and a review of housing association procurement strategies.

1. What is a procurement strategy?
A procurement strategy sets out:
• the association’s objectives for procurement
• links between procurement and value for money
• links between procurement and other strategic objectives
• who is responsible for procurement within the organisation.

It should explain how goods, services, and works are selected, acquired, and managed.

2. Why should my organisation have a procurement strategy?
It is a good idea because it tells staff and potential suppliers, contractors and residents about your approach and values associated with buying goods, works and services.

3. I want to write a procurement strategy – what do I do?
• Prepare by assessing your current procurement approach and activity and reviewing strengths and weaknesses
• Find out how much you spend on the procurement of all goods, services and works across the organisation
• Discuss the development, objectives, and general shape of this strategy with board members and residents
• Make the connections between this strategy and the organisation’s corporate aims and priorities
• Make the connections between this strategy and any other relevant strategies your organisation may have e.g. a value for money strategy.
4. What do I need to cover?

A good procurement strategy should set out clearly the organisation’s approach to procurement. It is likely to include sections on:

**Scope**

The strategy should cover all procurement activity, ranging from how the organisation purchases paper clips to the way it approaches major repairs contracts and new developments. Some organisations find it helpful to have a single overarching procurement strategy with more detailed sub-strategies for different activities.

**Diversity and equalities**

The principles and legal requirements of equal opportunities in procurement need to be enshrined in the strategy with details of what this means to contractors and how you will check their compliance.

**Resident Involvement**

Residents should have a say in what services are required and how they are provided. Their involvement can lead to improved procurement activity and better services. Following consultation with residents, you can use your procurement strategy to outline which goods or services they will be involved in procuring, at what stage of the process they will be involved (service specification/tender assessment/contractor interviews/contractor monitoring and evaluation), and how (information supplied to residents, residents part of contractor interview panel, residents set up the invitation to tender). The procurement strategy can also show how ethnic minority/hard to reach groups will be consulted.

**Sustainability**

All products and services purchased and used by your organisation have an impact on the environment and communities. Sustainable procurement is about recognising and mitigating these impacts by for example, requiring the use of products made from recycled materials, timber from sustainable sources or the use of energy efficient equipment.
EU legislation

The European Union rules (which are also UK law) are designed to give all potential suppliers a fair chance of bidding for, and winning, your contracts. Any contract with a potential value over the current thresholds (below) must be advertised in the Official Journal of the European Union (OJEU) – it is free.

The current thresholds are:

- Works: €5,150,000 or £3,497,313;
- Supplies: €206,000 or £139,893;
- Services: €206,000 or £139,893.

If the contract is over the threshold then your organisation must also follow the right procedures for choosing bidders and the final supplier and you should set out how you follow those procedures.

Risk management

All expenditure has an element of risk: Will the service be delivered to required performance? Is there a risk that the supply source may cease? Are the goods of the quality required? Hence all procurement activities should include a risk assessment.

Methods

You may wish to specify a preferred method/methods of procurement. These could be consortium procurement, quotes and tenders, internal sourcing, specialist services or partnering. There are different types of partnership which can offer ways of increasing capacity and improving efficiency and/or maximising economies of scale. E-procurement can boost efficiency and value for money and you should have a clear idea of if and when you will use electronic procurement.
5. What else will I need to do?
You will need a detailed annual procurement plan that has objectives that are SMART – specific, measurable, agreed upon, realistic and time-based.

Procurement strategies have no impact in an organisation unless they are monitored and reviewed on a regular basis. Procurement activity too needs to be reported to the Executive team, residents and the board regularly. Project management is a key skill at every stage of procurement.

Ensure a senior member of staff and a board member are designated as procurement champions. This will give ownership and influence to the strategy.

Where you have the information it is good to set out what your procurement activity is going to be over the next three years. This means any potential suppliers/contractors can see what opportunities are available at the same time as understanding what your overall vision for procurement activity is within your organisation.

Better Buys was produced as part of the Housing Corporation and Audit Commission agreed programme of comparative studies. These studies make recommendations for improving the economy, efficiency, and effectiveness of housing associations.

For further information on this study please visit www.audit-commission.gov.uk/betterbuys. Further information on the work of the Housing Corporation can be found at www.housingcorp.gov.uk.