



# Procurement Strategy 2019-2022

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## Introduction

In the Red Kite Group, achieving value for money in delivering our corporate vision is a core element in our way of working. We are a financially strong business with a robust Business Plan and are committed to spending and investing wisely, generating savings to increase resources and bringing additional benefits to our community. Our aim is always to ensure that we achieve quality of works and services, value for money and involve our tenants and leaseholders through the procurement process.

Procurement is the process of sourcing goods, services and works from the identification of need through acquisition and the full contract life cycle. Since the transfer of our homes from the local authority, when contracts were transferred ensuring continuity of delivery in our key service areas, we have re-procured all major contracts and additionally implemented contracts where these were not formally in place. Our new contracts have improved quality and costs demonstrating our success and we continue to strive for improvements when we re-procure.

This overarching Procurement Strategy 2019-2023 details our approach in developing our procurement and sourcing journey. The strategy provides summary information on our approach in our three key areas of spend; Development, Asset Management and IT. Further information on these three key areas can be found in the individual strategies for these categories. This overarching strategy outlines a framework of principles and values applicable to all categories of spend together with our action plan to deliver this. Our aim is to bring a streamlined and consistent approach across the business, defining the procurement process as a key enabler in Red Kite's strategic and business aims.



# Where are we now?

## Corporate Vision and Value for Money

Our Corporate Strategy is underpinned by our purpose

*To realise the future potential in our communities*

To achieve our purpose, we have set ourselves five objectives:

- Providing great homes
- Knowing our customers
- Increasing our investment
- Inspiring people
- Building thriving communities

These five objectives are underpinned by a strategic approach to Value for Money (VfM) enabling us to increase our capacity to deliver our purpose by doing the right things in the right way using the right investment. Our Procurement Strategy is one of the key strategies underpinning our Corporate Strategy and VfM Standard

<p><b>Providing great homes</b></p>  <p>We will have new homes available for people in our local communities, with choices that make the best use of the properties and land available to us</p> <p>We will provide a greater range of options for our customers to rent, lease or own a home</p>	<p><b>Inspiring people</b></p>  <p>We will have really amazing talented staff and volunteers working for us and others waiting to join us</p>	<p><b>Knowing our customers</b></p>  <p>We will know what our customers want and we will deliver personalised services in a way that is efficient and modern</p> <p>Our services will reflect our culture and values and do what our customers expect</p>	<p><b>Building thriving communities</b></p>  <p>The services we provide and sponsor will inspire and improve the lives of our customers by creating opportunities, increasing independence and supporting social enterprises</p>	<p><b>Increasing our investment</b></p>  <p>We will generate profit to reinvest in our communities, constantly reviewing the services we deliver to make sure we reduce costs and offer value</p> <p>We will seek opportunities that include social enterprises</p>
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## External operating environment

The external environment continues to bring challenges; changes in Government policy is one of the key elements and the anticipation of the UK leaving the EU (Brexit) is another. In the last three years we have had to manage the adverse impact of the 1% reduction in rents p.a. for 4 years together with the Welfare Reform Act which brings changes and challenges for our customers, all in an environment where providers are expected to reduce costs and improve efficiencies. We have addressed the impact on our business, our budgets and spend and continue to model economic outlook scenarios post Brexit.

# Where are we now?

## Legal and regulatory environment

As a public buyer, Red Kite's Procurement Strategy is required to meet and operate within the UK's legal framework and as such, this strategy complies with;

- Public Contract Regulations 2015
- Small Business, Enterprise & Employment Act 2015
- Public Services (Social Value) Act 2012
- Modern Slavery Act 2015
- Money Laundering Regulations 2007
- Bribery Act 2010
- Localism Act 2011
- Criminal Finance Act 2017

and the requirements of our regulator, the Regulator of Social Housing, where applicable to the appropriate company within the Red Kite Group. Regular updates on changes to legislation are provided by our legal advisors ensuring we remain compliant with the legal and regulatory environment.

## Procurement risk

Our three corporate risks in relation to procurement are identified as;

- Poor procurement
- Fraud
- Failure of a significant contractor or supplier

and these are addressed in detail in Red Kite's Strategic Approach to Risk Management and our Corporate Health Risk Map. The Red Kite Board receive assurance on our procurement processes through relevant internal audits undertaken through the regular compliance audit and through the procurement and anti-fraud audits.

## Current position

Procurement at Red Kite is devolved to business teams supported by central financial analysis, procurement expertise and resource for individual project activities. Procurement and supply chain strategies have been developed by individual teams to meet the needs of our business and customers. Our tenant and leaseholder led Core Procurement Group ensures we appoint the best contractors and suppliers focusing on the priorities of customers ensuring great services and VfM. The Group is involved in developing business requirements and specifications, setting quality standards and key performance indicators, the evaluation of tender responses and ongoing monitoring of contracts.



## Moving forward

Moving forward, we will continue to focus on the following areas:

- Using procurement to increase value for money across the organisation, reviewing mid-level and category spend, identifying areas for further savings and value generation.
- Co-ordinate the delivery of our procurement programme plan maintained from our Contracts Register.
- Expanding the tenant and leaseholder led Procurement Group to a larger group of involved customers, representative of our diverse customer base who are trained and prepared to support procurement activity.
- Continuing to develop dedicated Pod procurement and relationship management strategies meeting the sourcing and supply chain requirements for major categories of spend in e.g. development, property, IT and other corporate spend and embracing innovative approaches.
- Positively engaging with our peers to seek continuous improvement, benchmarking together with reviewing opportunities for shared and combined services or collaboration opportunities.

### Framework of principles and values

We have developed a framework of principles and values underpinning future procurement and sourcing for *all* categories of spend across the business. This framework has four objectives enabling us to ensure value for money by doing the right things in the right way using the right investment and working to the Corporate Strategy and Business Plan.

#### ***Optimising resources***

- Optimising value for money - Ensuring that the procurement of resources delivers cost-efficient and effective outcomes, whilst ensuring competitive pricing and affordability.
- Considering and balancing the quality and cost of the goods, services and works being procured and the total cost of ownership of these to the organisation.

- Considering wider benefits realisation and added value to the organisation, including social value and benefits for the wider community.
- Taking a proportional approach to minimise risk and maximise outcomes.
- Planning well and minimising the resources required to deliver procurement through adopting an efficient and consistent approach to projects, standardised documents, specifications, and forms of contract and adhering to the Red Kite standard.

### ***Strategic and Compliant***

- Commercially focused procurement and sourcing aligned with strategic, business and operational plans, and operating a competitive approach in line with internal and external regulations.
- Tenant and leaseholder led, in line with Red Kite's core values and mission. Ensuring that tenants and leaseholders inspire and influence procurement so that outcomes are recognised by customers as providing value for money and meeting requirements. Informing specification and requirements in line with agreed service design and delivery.
- Compliant with procurement legislation and the key principles of equal treatment, transparency and proportionality.
- Procurement planning and delivery consistent with leaseholder legislation and tenant consultation.

### ***Intelligence led***

- Informed by spend analysis and benchmarking against our peers and other external, comparable organisations.
- Agreeing appropriate sourcing routes for individual projects; utilising best practice procurement techniques, considering use of consortiums and procurement frameworks where appropriate.

### ***Sustainable***

- Recognising the importance of excellent contract and relationship management throughout the procurement lifecycle and resourcing this skill set to manage performance and deliver the right outcomes.
- Sustaining and maximising the benefits and value identified at project initiation and minimising risks throughout the life cycle of the contract.



## Procurement in our major categories of spend

We will continue to develop individual and detailed procurement and relationship management strategies to meet the supply chain requirements in Development, Asset Management and IT.

Our Development Strategy 2018-2023 informs our evolving development programme; external frameworks and procurement consortia will continue to be explored to meet our requirements for specialist consultancy services and major build contractors. Internal frameworks will be developed and where appropriate. Direct tendering for smaller build projects may be managed by our consultants where this is considered appropriate for the size of development site and taking into consideration risks.

IT requirements are managed and resourced via an outsourced contracting model with stand-alone projects procured as and when required to meet our innovation and digital strategies.

Our Asset Management Strategy 2018-2022 sets out the approach for maintaining and improving our homes and associated assets in our ownership. Major contract supporting this strategy will be reviewed and decisions made on future procurement strategy at the appropriate times.

## Our action plan

Our framework of principles and values will inform the delivery and implementation of the following action plan;

<b>Specific</b> <i>What are the specific objectives?</i>	<b>Measurable</b> <i>What are the measurable results?</i>	<b>Actions</b> <i>What actions need to be completed?</i>	<b>Resources</b> <i>What resources do we require?</i>	<b>Time</b> <i>What is the estimated completion date?</i>
Increasing VfM day to day	Increases in saving, efficiencies and benefits captured on Register and for VfM statement	<ul style="list-style-type: none"> <li>• Category &amp; spend analysis</li> <li>• Benchmarking with peers</li> <li>• Re-tender for mid-level spend categories</li> <li>• Consider appropriate Quality:Cost Evaluation split per project</li> <li>• Identify opportunities for VAT and tax efficiencies</li> <li>• Review specifications and agree MoSCoW requirements – Must/Should/Could/Wont – for future needs, savings and benefits</li> <li>• Consider insourcing and outsourcing options</li> </ul>	Pods & Commercial Stem	<b>Ongoing activity</b>

## Our action plan

Increase in Contracted Spend	Expansion of Contracts Register Improvement in audit review	<ul style="list-style-type: none"> <li>• Category &amp; spend analysis</li> <li>• Re-tender for mid-level spend categories</li> </ul>	Pods & Commercial Stem	<b>Ongoing activity</b>
2019-2023 Procurement Programme Plan and Procurement Radar	Plan complete & rolling to assess timelines & resource requirements. Procurements planned in time for contract end dates and added to Pod work plans	<ul style="list-style-type: none"> <li>• Plan updated regularly from Corporate &amp; Business Plan, Contracts Register, Spend &amp; Category Analysis</li> <li>• Plan and radar to be monitored monthly by Programme Board and Ops Hub to review progress and ensure stakeholder input to enable timely procurements and contracts</li> </ul>	SLT & Commercial Stem	<b>Ongoing activity</b>
Providing oversight and audit	Procurements conducted in line with Financial Regulations and external legislation	<ul style="list-style-type: none"> <li>• Complex and high value procurements are reviewed by Commercial Stem</li> <li>• Staff trained to seek advice and guidance where unsure</li> <li>• Procurement audits of all spend categories</li> </ul>	Pods Commercial Stem Internal audit	<b>Ongoing</b>
Staff training and development	Tool Kit briefings Examples of improved procurement competencies maximising the benefit from procurement activities. eProcurement training Governance Regulations and Financial Authorities training Development of Sways	<ul style="list-style-type: none"> <li>• Existing staff trained &amp; briefed ahead of new round of major contracts</li> <li>• Existing staff trained on procurement project management and contract management</li> <li>• New staff inducted eProcurement training as appropriate</li> </ul>	Commercial Stem	<b>Ongoing</b>
Expand the Procurement Group	Four new members to meet Terms of Reference	<ul style="list-style-type: none"> <li>• Four new volunteers trained to be active members of the Core Procurement Group</li> </ul>	People Pod & Commercial Stem	<b>December 2019</b>

## Our action plan

Procurement resource and capacity	Recruitment of one additional post	<ul style="list-style-type: none"> <li>One additional post recruited to create capacity within the team to support procurement and contract activity</li> </ul>	Commercial Manager and Head of Commercial	<b>July 2019</b>
Approved suppliers list	Expand approved suppliers list with local SMEs and other companies for future small tender, supply chain and contingency opportunities	<ul style="list-style-type: none"> <li>Organise 'Meet the Buyer' days to increase awareness of Red Kite among the local supplier base</li> <li>Encourage 'working with us'</li> <li>Briefings on Red Kite procurement, culture, social and community values</li> </ul>	Property Pod and Commercial Stem	<b>tbc</b>
Contract reviews during and post contract period	Post contract reviews on VfM, benefits and lessons learned	<ul style="list-style-type: none"> <li>Formal reviews scrutinising contract performance ahead of re-procurement to inform the specification, performance mechanism and other contract information.</li> </ul>	Commercial Stem	<b>Ongoing</b>

The strategy has been drafted having regard to our vision and values, relevant legislation, internal governance regulations and the following Red Kite documents;

- Value for Money Standard
- Asset Management Strategy
- Development Strategy
- Red Kite Business Plan
- Social Value Statement
- Governance Regulations
- Anti-Fraud Policy
- Anti-Money Laundering Policy (in progress for 2019)

