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homes leeds

**Item 5.4
Appendix One**

Value for Money and Procurement Strategy

2010 - 2013



Putting Customers First

October 2009

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1.0 Introduction and Background

1.1 Merging the Strategies

1.1.1 West North West homes Leeds is committed to achieving value for money in all its services and purchasing. We have chosen to merge our value for money and procurement strategies as we believe that strategic procurement, smart purchasing and effective contract environments are essential to delivering value for money. As part of the strategy we have also listened to the feedback we received in our Audit Commission report of January 2009 relating to procurement and value for money. In response, we have developed the following strategy to underpin our approach.

1.1.2 This organisation is committed to *putting our customers first* and delivering value for money services which meet our customers' needs. It will do this through the development and application of best practice strategic procurement, contract management and the corporate embed of a value for money culture.

1.1.3 Our corporate and business goals will drive our Value for Money and Procurement Strategy.

Our Vision is: 'To excel in delivering homes and services which are relevant to our customers, meet their aspirations and enhance communities'

Our Mission Statement is: 'Putting Customers First'

1.2 Policy Choices and Aspirations

1.2.1 Alignment of Value for Money to West North West homes' Vision and Values

1.2.1.1 This organisation has established and agreed a series of core values, which include –

- Putting the Customer First
- To be Excellent
- To be Innovative
- Social responsibility and accountability

Efficient and effective use of all resources will help underpin success in the overall attainment of these values; best use of inputs and interaction with all partners to drive an excellent organisation, is an essential element of value for money initiatives and cultural embed.

1.2.1.2 *Value for Money can be defined as the utility derived from every purchase or every sum of money spent; it is based not only the minimum purchase price (economy), but also on the maximum efficiency and effectiveness of the purchase.*

Consequently it is not only a measurement of quality and cost and for achievement

of best price to specification agreed, but it is also something which organisationally can be afforded and meets key customer requirements.

The Audit Commission approach to measuring the success of Value for Money will be to ask and seek evidence that the following can be identified –

- A reduction in inputs for the same level (or greater) output
- A reduction in cost for the same level (or greater) output
- Achievement of enhanced quality for the same level of inputs
- Achievement of greater output or quality in return for an increase in resources, that is proportionately less than the increase in inputs

1.2.1.3 The following strategic approach to Value for Money has been developed by West North West homes Leeds –

- Awareness through the creation of the KLOE Value for Money Board
- Work with *critical friend* input on spend analysis, rationalisation of supplier volumes, process mapping and modern methods by which transaction costs can be reduced
- Business case presentation and cost benefit analysis on contractual arrangements and rationalisation of the office estate
- Customer engagement on best use of resource through the Area Panel network, Service Improvement Groups and Sounding Boards

1.2.1.4 This year has seen a number of important *spend to save* initiatives put in place within the organisation and also a more sophisticated business approach to the creation of value for money projects, with comprehensive internal and external buy in by all stakeholders, with the following outputs currently reported –

- *Supply Side Focus* – a cost of professional support, but to be offset by improved contract management within the organisation, a more robust challenge to supply side costs and application of profit margin by all trading partners (savings over the next 2 years arising from more effective use of resources within the range of £1 million to £1.5 million)
- *Efficiency Curve theory* – helping shape the dialogue with responsive maintenance partners on supply side savings and improvement in call handling performance
- *Value for Money performance* – now an integral element of financial performance and reporting to the Directors; supporting the need to realise cashable savings over the lifetime of the current Management Agreement of £2 million (indications currently of cashable savings of up to £1.2 million in the financial year)
- *As an element of cultural embed within the organisation* – the creation of an Officer Procurement Group to standardise purchase of non asset management consumables; realisation of cashable gains through Officer input is now an element of the Reward and Recognition culture and the creation of the Officer VFM Group will determine the extent of the *journey* still required for fullest engagement and best use of resource across the organisation

1.2.2 **Alignment of Procurement to West North West homes' Vision and Values**

1.2.2.1 The values of procurement are based on the core values and standards of the Chartered Institute of Purchasing and Supply. These procurement values are based on overall best procurement practice and business integrity – West North West homes Leeds supports and aligns with these procurement values.

Procurement Core Value	Procurement Delivery
Helping to create a Listening and Learning organisation	Will leverage stakeholder participation in the procurement decision-making process actively involving stakeholders and customers at key stages of each process.
Acting with honesty and integrity	Will act with professional integrity and honesty in its commercial decision-making. It will ensure favouritism is not a factor in the award of any agreement or contract.
Being Motivated, Trained and Committed across the Company	Will ensure that those engaged in procurement or participate in the process have been given adequate training to conduct the roles in a responsible and professional manner. Feedback on performance, both positive and negative, will be encouraged at each stage.
Positive and Responsive	Will take a proactive role across the organisation. Where possible anticipating and responding to needs with the appropriate level and suitably trained resources.
Customer focussed, innovative and professional – recognising that customers are at the heart of everything we do	Will welcome and leverage customer participation in procurement decision-making. Recognising the diversity and breadth of experience of its customers. Procurement will create a positive environment where customers can have constructive influence on the selection of goods and services that directly affect them.
Caring and Respecting	Will care and respect diversity of opinion. Avoiding a culture of fear or coercion with its supplier base.
Embracing Equality	Will value diversity amongst the organisation and its supplier base. Procurement will encourage suppliers to adopt a

Commitment to success

proactive approach to diversity by preferring supplier partners who share common values. Will applaud and reward success both internally and externally. It will create an atmosphere where constructive criticism can be seen as an enabler to continuous improvement of process and commercial value.

1.2.2.2 The current financial year has seen a number of important developments and improvements in the approach adopted to both value for money and procurement exercises, which focus on outcomes to deliver greater efficiencies –

- Additional income streams to support key business activity on energy performance (£246k in the current year)
- A series of mini procurement activities on replacement programmes for kitchens, bathrooms and re-roofing, with the potential to realise cashable savings (and reinvestment potential) in excess of £1 million
- A sense that the efficient and effective use of resource (physical and financial) is an organisational wide debating issue
- Greater challenge to the operational teams, where specific budgetary pressures have been identified (best use of resource within responsive maintenance and voids control)

1.2.2 Strategic Procurement and Value for Money

1.2.2.1 From engaging with leading exponents of supply side management, WNWhL has learned that five key elements make up strategic procurement (and the delivery of value for money) and we will address each of these areas in our Strategy, through the use of modern procurement tools, techniques and expertise.

1.2.2.2 The five key elements are –

- Organisation and People; Supplier (and Customer) Relationship Management and Process Management, underpinned by Performance Measurement and Leading edge IS systems and Procedures

1.2.2.3 The road to achieving best practice strategic procurement is a 3 to 5 year journey and requires considerable change management skills in its initial set up. This journey will be extremely worthwhile, however, it will assist in delivering our corporate and business goals, deliver significant benefit to our customers and form an important means of embedding a *value for money* culture within WNWhL.

1.2.1 Cohesion and Diversity

1.2.1.1 West North West homes Leeds has given a commitment to ensure that information on tendering opportunities is made available to local employee black and ethnic minority groups and others.

As part of the procurement process we will ensure that contractors comply with relevant equality legislation.

West North West Homes Leeds will apply its Cohesion and Diversity strategy when working with contractors and other organisations.

We will -

- Encourage contractor and partner organisations to use local labour and workforces that are representative of the community
- Require contractors to participate in joint training with WNWhL
- Ensure that no organisation receives less favourable treatment on the grounds of equality and diversity
- Require all contractors, consultants and suppliers to comply with relevant equality legislation and promote the community cohesion and diversity agenda and our cohesion and diversity policy in their strategies and various policies
- Take appropriate action against companies, including removal of their name from the Approved List, if they fail to comply with relevant equality and diversity legislation
- Review our Approved List of Contractors, Consultants and Suppliers annually in line with good practice
- Promote the Leeds Homes Construction partnership and the *Precious Metals Award* for Diversity
- Provide support to contractors who have signed up to undertake the *Precious Metals Award* for Diversity

1.2.5 Ethical Procurement

1.2.5.1 West North West homes Leeds is aware that procurement activities can have an impact on people and communities not directly involved in the contract, consequently there is a need to ensure that ethical issues receive high profile as an element of any procurement strategy and this is conveyed to our supplier partnerships.

1.2.5.2 It is suggested that suppliers are required to show their commitment to this important area, by evidencing the impact of their own activities and whether it is practical to consider the development of a relevant code of conduct, which all activity can be measured against.

1.3 Financial Position

1.3.1 West North West homes Leeds has the following baseline resources available in financial year 2009/10 –

Revenue - £30.163 million

Capital - £21.833 million

Total - £51.996 million

1.3.2 A series of Value for Money mini projects have been established in the financial

year, with internal and external partners, to realise cashable efficiency gains of at least £450k and these include –

- Supply side savings in materials through the responsive maintenance contracts
- Fundamental root and branch review of all Service Level Agreements
- Energy audits of office premises and more efficient use of telephony

1.3.3 The financial position of the company makes it an absolute requirement to ensure -

- A need for greater strength in depth on contract management and procurement issues and this will be driven by the work with *critical friend* support from Supply Side Focus
- Resources are allocated to meet customer priorities
- Working with maintenance contractors to *value engineer* different types of improvement work
- Greater awareness of value for money and procurement activities across the organisation
- The introduction of an employee value for money suggestion scheme
- A need to produce the strategy in a summary and clear guide format, to ensure employees are aware of their responsibilities in respect of purchasing
- Consider the idea of a *Resource Pool* where savings and efficiencies could be reinvested in customer facing services and of benefit to the community

1.4 The Delivery of Key Objectives (Audit Commission Recommendations)

1.4.1 Procurement

- 1.4.1.1 • Develop a procurement strategy which clearly outlines WNWhL ethos in relation to modern procurement methods, its stance on customer involvement and contains a timetable for future procurement

Recognising this, the Strategy will ensure reference to e methods of procurement, the engagement of the Customer Involvement Network and an action plan as an element of the appendices showing future procurement activities

- Prioritising a review of the procurement of non asset management goods and services focusing on the areas of highest spend

This work has commenced, with support from Supply Side Focus and has considered spend analysis and segmentation, the future creation of relevant working groups and quick win negotiations with low risk/spend areas of goods and services

Further work is being undertaken on e-auctions, customer involvement has been sought and feedback delivered, the list of approved suppliers is now in all service outlets and linked to non asset management procurement of commodities

- There is limited procurement expertise within the Almo. There is a lack of training or clear guidance for managers within the organisation to ensure they

are clear on their responsibilities for the procurement of services, goods or consultancy

The work of Supply Side Focus in the current financial year will specifically address the issue of poor contract management expertise within the organisation and develop a number of key individuals, to reduce reliance on the corporate centre

1.4.2 Value for Money

1.4.2.1 • The de-pooling of service charges from the rent

This took place at the commencement of 2009/10 financial year

- Carry out impact and value for money assessments on potential solutions for all recommendations identified

The value for money reviews have included all appropriate stakeholders within their scope and currently are reporting upwards of £1 million in cashable and non cashable efficiencies

- The understanding of costs at a service level is variable and an understanding of how costs compare and the reasons for the WNWhL position is not well developed across the organisation

Greater understanding has arisen as a consequence of use of benchmarking information; the activity based costing approach is further evidence of optimal use of office time and improved service provision to the customer

- There is a lack of a robust strategic approach to value for money. The Strategy does not provide a clear assessment of the current position of WNWhL and what the priority areas for action need to be

Fundamental reviews are being undertaken on the Service Level Agreements in the year; there is greater understanding of the importance of realising cashable gains and the link to future financial sustainability and this has been evidenced by greater participation in setting the mini value for money projects

- The approach to value for money is not fully embedded across the organisation despite action to make this a part of the culture

This continues to improve, following representation at senior management meetings, is an element of all team discussions, is subject to periodic update within the staff newsletter and individual ideas on how to be more efficient will become an element of the revised reward and recognition programme

This Strategy clearly posits how value for money will be delivered through robust contract management and through the creation of a dedicated team to reduce inefficient spend by using too many suppliers

- It is not clear on what basis tenants and residents can make an assessment of

the value for money of the rent and service charges they pay. Residents cannot make an informed judgement on value for money

The Service Charge Review group will meet in September, with firmed up proposals on the level of charge to be included in the revenue budget setting process for financial year 2010/11. Further meetings will take place with customer representative groups (multi storey flats, for example) to better determine views on rent and service charge tariff

- West North West homes Leeds has not fully reviewed or market tested all of those services provided by Leeds City Council

A fundamental root and branch review of Service Level Agreements is taking place in 2009/10 and outcomes reported to the Board of Directors (initial indications have advised a number of cost savings can be achieved)

Service owners will work in conjunction with an internal procurement team, enhanced by the removal of any silo working approaches

- 1.4.2.2 In terms of prospects for improvement, the report referenced the application of the Value for Money workbook and toolkit as an aid by which managers can both identify and help deliver the efficiency targets proposed for each service area.

2.0 Vision and Objectives

2.1 Vision

2.1.1 The Board of Directors have outlined their vision and strategic direction in terms of 4 *compass points* for the organisation and this can be confirmed as being –

- A successful Audit Commission re-inspection in March 2010
- Financial sustainability
- Organisational capacity
- A strong business which can determine its own future

2.2 Objectives

2.2.1 The strength of the organisation is underpinned by a value for money approach which will –

- Be transparent and driven by desired outcomes
- Be underpinned by an analysis of key goods and services and their costs
- Create the optimum balance between quality and cost
- Ensure efficiency gains arising from procurement activity are tracked and locked in to ensure on going value for money
- Allow innovative approaches to developing alternative procurement and partnership arrangements
- Involve and empower tenants to judge outcomes arising from value for money initiatives
- Encourage competition, where necessary
- Be relevant to the vision and objectives of West North West Homes Leeds

2.3 Tools and Actions

2.3.1 Priorities

2.3.1.1 West North West homes Leeds has identified the following vision and priorities and the importance of aligning activity closely to ensure overall success in achievement –

- To put the customer first
- To be excellent
- To embrace equality and diversity
- To be innovative
- To be socially responsible and accountable

2.3.1.2 Key objectives underpinned by the Value for Money and Procurement

Strategy include –

- Effective use of financial resources
- The whole organisational role in achieving success
- Local suppliers and community impact

2.3.2 **Value for Money Reviews**

2.3.2.1 Achievement and reporting against agreed targets in the year will be evidenced at Sub Committee and Strategic Board meetings; information on the scope of the projects will be included in the staff newsletter and updates provided at the quarterly staff conference.

2.3.2.2 As an element of the Reward and Recognition programme for the year, it is intended to extend the voucher based incentive scheme to individual officers or teams, where ideas on how to realise cashable gains or improve efficiency and productivity, actually occur.

2.3.2.3 Future developments will also include a pool of resource against which individual bids can be made and assessed, with the aim being improvements in service delivery.

2.3.4 **Efficiency Register**

2.3.4.1 Value for Money projects once agreed are produced in tabular format, with a clear distinction between cashable and non cashable gains and are reported to the Directors in financial performance reports, included in the SHAIP performance management software and conveyed to staff via regular communication in the newsletter.

2.3.5 **Supplier and Customer Relationship Management (Procurement)**

2.3.5.1 In order to ensure that West North West homes Leeds drives suppliers to meet our current and future business objectives, we will establish processes and procedures which will ensure that appropriate relationships are established with our suppliers, such that effective management and development is achieved. In so doing, proactive engagement with our customers will also occur in order to ensure that their requirements are met.

2.3.5.2 West North West homes Leeds is conducting a full review of its contracts and SLA's in order to address acknowledged weaknesses, as highlighted in the Audit Commission January 2009 report, of its supplier, SLA and Contract Management processes. The output of this will contribute to the delivery of this strategy by providing a spend analysis and prioritise Suppliers, SLA's and Contracts to address, along with recommendations on how to address them.

2.3.5.3 Supplier Relationship Management (SRM) includes contract management. In order to achieve value for money, WNWhL will work with key suppliers in a structured manner using the skills, knowledge and experience of the Procurement function and Service managers.

- 2.3.5.4 The Procurement function will be responsible for owning and managing the relationship of key strategic suppliers within their categories as identified in our spend analysis and will be aware of all activity taking place between the supplier and WNWhL, such that a strategic approach to delivering value for money solutions with the supplier through development and innovation can be achieved. They will have a clear understanding of business and market dynamics, added value in the supply chain and knowledge of how to select the winning suppliers on WNWhL terms. They will also be responsible for understanding customer needs and articulating them in KPI's within contracts and SLA's.
- 2.3.5.5 West North West homes Leeds has identified that its revenue spend comprises over 350 suppliers of which only 10 account for 80% of that spend and only 2 account for 40%. The metrics for Capital spend are: 231 suppliers, of which only 4 account for 80% of spend – and of that, 2 suppliers are the same as the top revenue spend suppliers. It is clearly impossible (and inefficient to try to) to manage all suppliers effectively with limited resources. We will, therefore, prioritise these suppliers in terms of strategic importance and allocate resources accordingly.
- 2.3.5.6 For the remaining suppliers, we will conduct further analyses and determine the appropriate action to take opposite the next layer of suppliers and so on, until we can embark on supplier consolidation and rationalisation programmes. Where spend is deemed non strategic, WNWhL will consider having the affected suppliers externally managed through a provider of managed services.
- 2.3.5.7 Those suppliers which clearly do not merit significant resources (low value, low risk), WNWhL will either cease trading with them or improve procurement methods with them (the introduction of procurement cards or use of the appropriate e-procurement technology).
- 2.3.5.8 Where procurement directly impacts on customer experience, the Procurement function will involve them in the development of SLA's and KPI's to ensure that their requirements are known, understood and delivered and ensure that these are included, measured and managed in the on-going supplier management process.

2.4 **SMART Planning**

2.4.1 **Action Plan and SHAIIP**

2.4.1.1 The Value for Money and Procurement Strategy Action Plan for 2009/10 will include –

- The use of the SHAIIP system to monitor progress on dealing with Audit Commission recommendations impacting on this strategy and monthly reporting to the Senior Management Team
- Agreement on the mini projects with budget-holders and regular updates to the Directors (at Organisational Health Sub Committee and the KLOE Strategic Board) on progress toward target
- A root and branch review of all Service Level Agreements in the new

financial year

- The use of Activity Based Costing to determine value and non value added work undertaken by teams
- Supply Side Focus to rationalise contractual expenditure, seeking reductions in number of suppliers and greater efficiencies
- Review of non asset management contracts, including Diagnostic Health Solutions (support providers on sickness absenteeism), Occupational health providers (new supply already in place)
- A greater understanding and analysis of cost of service provision, helping to contribute toward more effective use of resources

2.5 **Process Management**

2.5.1 West North West homes Leeds recognises process management as a key area which will drive value for money solutions and improve the total cost of acquisition. The strategy should cover the following and be underpinned by auditable operational procedures that ensure that the overall strategy is transparent and deliverable.

2.5.2 The ingredients of this strategy and subsequent procedures include -

- Appropriate governance and performance reviews
- Capacity and capability within value for money and procurement that can be developed and maintained through a competency framework, with sound training and people development
- Compliance with corporate standards, practices and contracts including compliance with EU Procurement procedures
- Competition, partnering, collaboration, benchmarking and spend aggregation
- Processes and procedures for procurement that demonstrate probity, propriety, public accountability and best practice
- Accurate management information
- Sound project management and proper review of projects at appropriate milestones, appropriate levels of contract management and review of contractor performance
- A strategic approach to e-Procurement in terms of electronic ordering, electronic invoicing, Purchase cards and electronic reverse auctions
- issues relating to equality, diversity, health and safety and matters concerning the stimulation of competition, the maintenance of fairness and the development of the local economy
- Involvement of customers in the decision-making and review process
- A robust process for proactively managing strategic supply arrangements, including first tier and second tier supply relationships

2.6 **Performance Measurement**

2.6.1 Performance measurement has moved beyond the old fashioned view that purchasing measures price as a KPI. West North West homes Leeds recognises that modern procurement practice is about delivering value for money solutions and developing relevant KPI's to demonstrate that these have been delivered.

2.6.2 These indicators include, but are not limited to –

- Customer satisfaction
- Identified, ranked and prioritised supplier performance measures
- Supplier performance measures on the total cost perspective, including cost of capture
- Supplier encouraged to share measurement and where appropriate, self measurement (audited by the purchaser)
- Superior supply performance recognised and publicised (and rewarded when appropriate)
- Benchmarking within the sector and outside it, including the private sector – continuously seeking external comparisons and value for money

2.7 **E Procurement (IS Systems and Procedures)**

2.7.1 West North West homes Leeds recognises that the implementation of leading edge e-procurement systems is critical to the development of strategic procurement and improved process efficiencies. It is the foundation of delivering management information necessary to make strategic procurement decisions. It will also assist in managing maverick spend.

2.7.2 This organisation is committed to developing electronic trading defined by the term e-Procurement (the transmission of purchase orders and the receipt of electronic invoices across the Internet - otherwise called electronic Purchase to Pay).

2.7.3 West North West homes Leeds is intending to deploy e-Procurement and as such all contractors and suppliers must support the organisation in this initiative. E-Procurement will be a constituent element in any new contractual arrangement formed from 2009 onwards.

3.0 Baseline Assessment

3.1 Savings and Achievements

3.1.1 In the post Gershon era, this organisation has realised the necessity to consider both efficiency gains (more effective use of resources) and the need to make expenditure savings across the board, without any reduction in customer satisfaction.

In the last 2 financial years and reported as an element of the self assessment document, West North West homes Leeds has reported cashable efficiencies of £2.372 million and is on course in 2009/10 to deliver a further £1.080 million between the revenue and capital programme.

3.2 Organisational Position

3.2.1 To assist in a reduction in the operational financial deficit, the following approach has been adopted –

1. 3% cashable gains by revenue cost centre, excluding staffing cost, as a requirement and to be delivered through mini projects (£446k in 2009/10)
2. Review of the staffing structure in 2009/10, aligned to achievement of strategic objectives and referenced to the reduction in capital resources in the year
3. Savings achieved through the capital framework contracts
4. Rationalisation of the office estate and savings on head office costs
5. Work with *critical friend* input on efficiency curves and procurement activities across the organisation
6. Optimisation of surplus cash funds through a treasury management policy

3.2.2 Work with *critical friend* input is to build on and move to modern procurement and contract management methodology, including new approaches and with 3 phases –

- Phase 1 – Spend analysis and segmentation, including priority areas of spend to address (in budget terms set at £30.13 million of revenue and capital resource)
- Phase 2 – Mobilisation (including strategic, tactical and quick wins)
- Phase 3 – Implementation
- This is a *spend to save* initiative and is looking to realise £1 to £1.5 million of cost reduction over the next 2 years

3.3 People and Organisation

3.3.1 This is the single most important element which will drive procurement to

the strategic level within this organisation. It is essential that strategic procurement is recognised and given top level support within WNWhL, if maximum value for money is to be achieved, along with an embedded value for money culture within the organisation.

- 3.3.2 Top level support is necessary, but not sufficient to develop strategic procurement. It is also essential that the right procurement structure is established and is populated with high calibre, experienced procurement professionals with the right skills and competencies.
- 3.3.3 Accordingly, to address the above, this organisation will establish proper procurement governance and a highly knowledgeable, experienced and skilled procurement function.

3.4 **Governance**

- 3.4.1 An important part of Governance will be the formation of a Procurement Steering Group which will initially comprise the Chief Executive and appropriate members of the SMT, which will include a new role dedicated to procurement and contract management.
- 3.4.2 Procurement is a cross functional activity and the procurement team will work closely with key stakeholders in other functions within WNWhL to ensure that their needs are known and met when developing Service Level Agreements (SLA's) and Key Performance Indicators (KPI's). Where the purchase of goods and services impacts on customer experience, procurement will ensure that key customer stakeholders are involved at the appropriate time in the procurement process, to capture their requirements to include in the Service Level Agreement.
- 3.4.3 The role of the Steering Group is to support all procurement activity within the organisation, particularly key, strategic contracts and SLA's which the procurement team are managing and developing and which carry a high risk to the organisation and impact on customer service.
- 3.4.4 The Steering Group will also be responsible for assessing and authorising all high risk, high value procurement strategies (Sourcing Plans). No contract or SLA above pre-determined levels will be signed without the express authority of the Steering Group.

3.5 **Function**

- 3.5.1 We will properly identify the delivery infrastructure we need to carry out the procurement and contract management function
- 3.5.2 The function will deliver value for money solutions, savings, develop meaningful spend management information and proactively manage suppliers, contracts and strategic supply arrangements. A primary objective will be to complete and maintain a matrix of goods and services, which categorises WNWhL's procurement of goods and services by risk and value and gives the opportunity to develop strategies for each category. These goods and services will be aligned to the supplier from which they are

purchased, so the appropriate supplier and contract management strategies can be developed.

3.5.3 The function will also help to control the use of *maverick* suppliers and develop business through authorised contractors. The aim will be to rationalise supplier numbers and to ensure that EU Procurement is complied with. The role of Procurement will involve discussions with suppliers concerning delivery of value for money solutions, such as the reduction of transaction costs, better ways of doing business and more efficient (electronic) processing of orders and invoices and thus will contribute to the savings programme, both in terms of cashable and non cashable gains..

3.5.4 Procurement is also responsible for ensuring that sustainability and equality and diversity are integrated into the strategy and processes.

3.5.5 Procurement will be acknowledged as a key strategic activity within WNWhL where it is recognised as being a place where careers can develop to the highest level within the organisation. The procurement function itself will be allocated objectives, aligned to corporate and business objectives and it too will be measured against these to determine its performance.

3.6 **Audit Commission Key Line of Enquiry (Gap Analysis)**

3.6.1 The Value for Money Key Line of Enquiry (KLOE) asks of organisations –

- Is there a robust modern procurement strategy to apply best practice to achieve Value for Money in priority areas including working with partners

This Value for Money and Procurement Strategy has been subject to critical appraisal by the Housing Quality Network, significant input via Supply Side Focus, with further engagement at the Customer Involvement Network of West North West homes Leeds and the KLOE Value for Money Strategic Board

- Are modern procurement methods and partnerships applied that result in demonstrable Value for Money and delivering outcomes that meet the needs of users and the community

The work with Supply Side Focus will help facilitate the use of e-auctions; web enabled means of creditor payments and electronic raising of invoices for goods and services already exist within the organisation

- How do service costs compare with others

The Value for Money toolkit will be updated in October 2009 to include outcomes arising from the House Mark submission for financial year 2008/09; this information has already been used to establish a series of activity based costing exercises across the organisation to determine best use of officer time

- Is accurate information on costs and services collected and is this used to decide priorities and strategically manage resources

For example, the responsive maintenance programme receives detailed financial information on cost and activity and helps determine actions and culture shifts on optimisation of resource; footfall information and best use of office accommodation space has also determined rationalisation of the estate

- Are there effective performance management arrangements in place to drive and deliver improved Value for Money

A growing awareness of more restrictive financial settlements to the company, has engendered greater ownership of the agenda, including proactive buy in by the maintenance contractors and ideas through team meetings for more effective use of resources

3.7 **Critical Success Factors**

3.7.1 A number of critical success factors have been created within West North West homes Leeds, including the need to deliver savings in the revenue programme of £2 million over the lifetime of the current Management Agreement (approximately £400k each year).

3.7.2 The delivery of such gains is dependent on budget holder *buy in* and ownership of the agenda, but more specifically requires a more detailed awareness of how savings can be achieved, by all employees of this organisation.

3.7.3 To that effect, the vision for value for money and procurement in this organisation and to be implemented with assistance from *critical friend* input will be –

- To deal with areas of high cost and sub optimal performance
- Embraced by all stakeholders throughout the organisation
- A mechanism by which efficient and effective use of resources can be identified at a local service level and implemented as an element of strategic approach
- Trained specialist members of staff in contract management arrangements

4.0 Key Deliverables

4.1 Value for Money (Approach and Review)

- 4.1.1
 - Value for Money is reviewed on a monthly basis with budget holders as an element of discussion of the management accounts. This allows for updates on current projects and encourages innovative ideas to be generated in a specified business area
 - A cash saving target is agreed with the Board of Directors at the time of the budget setting process for the financial year
 - Value for Money is measured to assess both cashable and non cashable savings, allowing for smarter working practices to be identified
 - The Finance team record all Value for Money initiatives in a database ensuring the following information is captured -
 1. Whether the initiative is cashable or non cashable
 2. Revenue or capital saving
 3. Specific targets of savings
 4. Officer responsible for leading on the initiative
 - Reviews of the current performance of Value for Money are undertaken at the Organisational Health Sub Committee meeting, on a bi monthly basis
 - Direct customer involvement in Value for Money reviews takes place through the Service Improvement Groups and the Value for Money KLOE Board
 - Year end reviews are undertaken to measure the outcomes of the Value for Money projects and to analyse any over achievements on savings, or shortfalls. In addition projects which will rollover into the next financial year are identified and assessed
 - The Value for Money KLOE Board review projects and suggest areas of efficiency to target on a bi monthly basis. This is chaired by the Value for Money Board Champion
 - Team meetings and Service Improvement Groups discuss Value for Money initiatives, reviewing current projects in place
 - Strategic partnership meetings with contractors review and highlight Value for Money initiatives along with the Finance sub group meeting, reviewing any projects to ensure a wider business involvement of all relevant stakeholders of West North West homes Leeds

4.2 Key Measures and Targets

4.2.1 The following outlines the methodology for realisation of value for money initiatives -

- 3% cashable saving on the revenue budget expenditure excluding salaries, the target for 2009/10 being £446k
- Realistic targets set for each business area. Where it is clearly recognised 3% savings cannot be made due to the structure of a department, revised targets are identified
- The staffing budget is set at 97% of financial need, ensuring any vacancies are assessed before being filled and all areas continually measure their staffing structure requirements
- No budget is set for temporary agency staff ensuring this resource is funded by the staffing budget
- The organisation will look to deliver £2 million cashable savings by the end of the current Management Agreement (March 2013)

4.2 **Outcomes**

4.2.1 The following outcomes are sought from the fullest implementation of a value for money culture within West North West homes Leeds –

- Planned and skilful management of procurement and all supply chains
- Completion of review of all bought in services through Leeds City Council
- Value for money as a key component of planning and performance management frameworks
- Joining up all benchmarking activity within the organisation
- Customer involvement in setting priorities and monitoring performance
- Continuous improvement and target setting with all stakeholders to the organisation
- Ongoing assessment of staffing structures and further rationalisation of the office estate, aligned to financial resources and strategic objectives
- Whole wide organisational contribution to operational deficit or surplus
- Consideration to a resource pool for reinvestment in service, where cashable efficiencies have been delivered

5.0 Conclusion

5.1 This document has sought to provide a framework in which the organisation will –

- Ensure a sustainable financial future whilst improving service delivery to our customers
- Gain a better understanding of the cost drivers in the business and how West North West homes Leeds compares to other organisations
- Encourage the promotion of a corporate value for money culture which is all embracing
- Seek an improvement in the approach to procurement and contract management to underpin the delivery of value for money
- Provide opportunities throughout for stakeholder involvement

5.2 Closing Statement – Procurement

5.2.1 The table below outlines the strategic objectives to be achieved through the development of a best practice approach to procurement and value for money. It makes reference to the link to other documentation created by West North West homes Leeds and clearly supports the aspirations of our customers in the delivery of service excellence.

5.2.2

Strategic Goal	Deliverable
Ensure Procurement Strategy supports WNWhL's strategies, policies and actions in providing sustainable solutions in the efficient and effective management of the organisation and its housing stock. To review and monitor these practices in relation to specific outcomes and performance.	<ol style="list-style-type: none">1) Establishment of a Procurement Steering Group that will ensure that the procurement strategy is aligned with the policies and plans of West North West Homes Leeds2) Establishment of Procurement Function which will deliver procurement and value for money solutions in line with WNWhL's corporate and business objectives.3) Establishment of Category Management for strategic components identified in the Portfolio Analysis including customers and key stakeholders4) Create an annual procurement plan to ensure contracts comply with appropriate regulations and

To maintain and refresh clear and robust policy and procedures for procuring goods and services to ensure quality, deliverability and to meet the aspirations and needs of our customer base.

Create a culture of efficiency and value for money. To enable the best use of resources in delivering excellent services to our customers and to challenge the status quo.

Ensure procurement of goods and services is transparent, fair and represents best value.

- financial standing orders. I.e. EU Procurement
- 5) Set annual efficiency targets for value for money savings (cashable savings) and process improvements (non cashable savings) through the establishment of a Value for Money Steering Group
 - 6) Apply the contents of the functional instruction manual across the whole organisation
 - 7) Ensure that the manual is refreshed as circumstances and procedures are changed or evolve over time
 - 8) Ensure all those conducting direct procurement activity are appropriately trained and are members, or are working towards, membership of the Chartered Institute of Purchasing and Supply
 - 9) Critically review all aspects of the purchase to pay cycle - identifying and removing value destroyers.
 - 10) Ensure corporate plans are embedded and that teams take ownership of the purchase to pay cycle
 - 11) Identify and report monthly cashable and non cashable savings to the Value for Money Steering Group
 - 12) Encourage all staff to identify value destroyers and reward them for reporting them to the Value For Money Steering Group
 - 13) Ensure compliance to the Functional Instruction Manual in relation to all aspects of Procurement, standing orders and EU Procurement
 - 14) Ensure those engaged in Procurement are adequately trained in the application and use of the Procurement functional instruction manual
 - 15) Encourage those engaged in procurement to seek best

Ensure Egan and Best value agendas in procuring services through a true partnering ethos.

Meets and deliver obligations and commitment to equality and diversity, health and safety through the procurement strategy.

Create and encourage an environment for consultation with all internal stakeholders of the company to ensure that the strategy and its aims objectives meet the needs of the company and its delivery of services to customers.

practise approaches through collaborative participation with other bodies such as, but not exclusive to other local authorities and RSL's

- 16) Based on the Portfolio Analysis establish KPI's with key suppliers to ensure performance and value for money is achieved.
- 17) Develop a policy for procuring construction services including the appropriate use of partnering contracts PPC2000 and whole life costing models
- 18) Ensure partnering contracts and strategic supply arrangements are proactively managed through the establishment of core and sub groups that engage with both WNWHL and the associated partner at the appropriate level.
- 19) Ensure true feedback mechanisms are established and that benchmarking with other Housing, Local Authorities and Private Sector organisations are put in place.
- 20) Establish an assessment framework for raising awareness of diversity, equality and Health and Safety with suppliers. This to include Pre Qualification Questionnaires and Supplier visit assessments
- 21) Develop supplier KPI reporting of E&D and H&S
- 22) Provide feedback to all parts of the Group on activities of the Contract Steering and Value for Money Steering Group activity. Encourage indirect participation of these groups by creating an online forum where comments and questions can be raised.

Ensure all stakeholders can contribute and have access to the Purchasing Functional Instruction manual.

5.3 **Closing Statement – Value for Money and Procurement**

5.3.1 The following best practice will apply in terms of successful implementation of the Strategy –

- West North West homes Leeds has published standards for the conduct of employees and will require adherence to these at all times, in all dealings with suppliers, they will ensure the highest standards of honesty, integrity and objectivity
- In dealing with suppliers, West North West homes Leeds will ensure there is equal opportunity, for all who meet the stated criteria, to participate in bidding for requirements
- In appointing contractors, this organisation will appraise offers received on the basis of whole life costing and will seek an appropriate balance between cost and quality in the evaluation
- West North West homes Leeds will ensure Officers responsible for procurement and contract management are fully trained and conversant with the principles of good procurement
- Will apply ongoing monitoring of contracts, usage and organisational needs

5.3.2 This document is also comprehensive in scope, as it has included –

- Ensuring the organisation deals effectively with recommendations arising from the Audit Commission inspection
- A more effective use of benchmarking information to help drive service improvement
- Procurement as a methodology to link with organisational aims and objectives
- As a core component the focus on the delivery of value for money
- An approach to value for money and procurement which will be fully inclusive of all stakeholders, which clearly recognises the need for further engagement on provision of service and customer cost
- A consideration of the impact of the organisation in the community and how procurement activities will help generate local economic improvements
- A need for improved attendance in the workplace to mitigate capacity and impact on productivity
- A dovetail with corporate objectives, particularly the need to ensure alignment with Cohesion and Diversity themes

5.3.3 The key factors determining a successful approach to value for money and procurement, relate primarily to internal organisational capacity and culture. Similarly while collaboration between housing providers, including the use of buying consortia can give them more purchasing power, it does not automatically lead to benefits. Well managed organisations, with the

appropriate skills and knowledge are more likely to improve services and release efficiencies.

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6.0 KLOE Gap Analysis

How do the service costs compare with others	Apart from the use of House Mark information in the Service Improvement Groups and internal team meetings, further work has taken place with Procurement for Housing and mini capital programmes have identified comparative cost of different supply and realisable savings to the organisation
What external local factors affect costs and how do adjusted costs compare	Savings and efficiencies on capital framework programme and management costs have been identified; local benchmarking of cost has taken place on procurement of consumables; rationalisation of the office estate is on the basis of best cost ratios
Are costs commensurate with service delivery, performance and the outcomes achieved	Further activity based costing analysis is taking place within the organisation to help determine optimal performance and focus on strategic priorities – action is being taken to deal with any high cost areas
Do costs and resource allocation reflect policy decisions	The revenue maintenance programme is set at 60%:40% planned to responsive in the current year and cultural changes effected to maximise this division; the capital programme is now set to deliver to strict decency in accordance with Director instruction
Is accurate information on costs and services collected and is this used to decide priorities and strategically manage resources	Detailed financial information is made available to ensure budgets can be managed effectively; forecasting information is used to determine and deal with any potential areas of overspend
Are modern procurement methods and partnerships applied that result in demonstrable value for money and delivering outcomes that meet the needs of users and or the community	Work is ongoing with the responsive maintenance contractors in the current year and a number of proposals put forward to save on both overhead and material cost
Do value for money considerations focus on the costs and benefits to the customer	Customer representation takes place at Strategic Board level and is an element of the service improvement

	meetings; further engagement has taken place on rent and leaseholder service charge setting
Are management arrangements focused on value for money and are they underpinned by robust mechanisms to drive and monitor progress and monitor impact	There is clearly a thread which now links financial sustainability in the organisation and the buy in of all stakeholders to achieving both cashable and non cashable savings
Has there been a sustained focus on VFM over time. Is a VFM culture embedded throughout the organisation	This is developing all the time; the VFM workbook will be updated in October 2009, more ideas are coming forward from customer and staff members on how savings can be achieved
Is the organisation contributing to the sector wide efficiency targets in – New supply Capital works Management and maintenance Commodities	Mini procurement exercises have taken place on kitchens and bathrooms to generate savings over contract life; partners are being encouraged to bring top ten ideas for VFM to the discussion; the work of the Procurement Team will provide a sustained focus on consistency and best price of locally sourced consumables
Are there clear and robust proposals for meeting efficiency targets and improving value for money	Stakeholders have been made aware of 3% efficiency gain by cost centre (excluding staffing cost) and their contribution toward attainment of this
Are there effective performance management arrangements in place to drive and deliver improved value for money	Reporting is now taking place to the Directors at Sub Committee and Strategic Board level on progress made
Is there a robust, modern procurement strategy to apply best practice to achieve improved value for money in priority areas, including working with partners	The procurement strategy has been subject to critical appraisal from leading experts, customer engagement and directors of the organisation
Is the service investing and attracting inward investment appropriately to deliver improvement	Treasury management policies engendered £940k of gross investment income in 2008/09 financial year; further work on providing at cost best practice to other organisations in Leeds has been engendered as a result of review of local terms and conditions of employment

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7.0 Value for Money and Procurement Strategy Action Plan

Action	Output	Resource and Reporting	Timescale	Responsible Officer
Appointment of Board Champion for Procurement	Director in place and terms of reference agreed	Time spent on familiarisation Report to Services and Investment Sub Committee	Short term	Head of Property Investment
Establishment of Value for Money mini projects	Agreed 3% targets in place to realise £446k	Time spent with budget holders Report to VFM Board and Organisational Health Sub Committee	Short term	Principal Finance Manager
Employee Value for Money Scheme	Schemes identified and cashable gains realised	Identify through team meetings and award at Staff Conference Report to VFM Board and Organisational Health Sub Committee	Short term	Principal Finance Manager
Produce summary guide of the Strategy for staff	Guide distributed across the organisation	Time spent on summarisation of strategic document	Medium term	Information Officer

Action	Output	Resource and Reporting	Timescale	Responsible Officer
Deal with all Audit Commission recommendations pertaining to Value for Money and Procurement	Regular update in SHAIP, listing actions taken	Will need engagement with VFM mini project holders Report to VFM Board and Board of Directors	Medium term	Head of Finance and Corporate Services Principal Finance Manager
The Procurement Team to take forward suggestions for modern procurement and non asset management contract renewal	List to be provided and action reported on use of e-procurement	Report to VFM Board	Medium term	Supply Side Focus Office and Facilities Manager
Fundamental review of all Service Level Agreements	Amendment or reduction to current charging regime; documents focused on service requirements	Will involve key service managers and time spent Report to Board bi annually on progress	Medium term	Supply Side Focus Principal Finance Manager
Greater understanding of the cost to serve	Service efficiencies and gains (private sector delivery in the range 6% to 15%)	Consultancy costs, time spent in pilot service areas and reporting to VFM Board	Medium term	Head of Property Investment Head of Finance and Corporate Services
Review of existing telephony arrangements	Recommendation to switch provider of telephony (land and mobile)	Time spent with the consultants for first meeting; approval from Directors to take forward from this, if feasible	Medium term	Head of Finance and Corporate Services ICT Business Relationship Manager
Post 2011 asset management proposals	New asset management contract model for responsive and capital works	Time spent on working up technical specification details; report to Board	Long term	Head of Property Investment