

Corporate Sustainable Procurement Strategy



March 2008

Link Group Corporate Sustainable Procurement Strategy

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EXECUTIVE SUMMARY

Sustainable procurement is defined as “the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.

This document aims to provide a framework for the full range of procurement activities carried out, across Link Group. It aims to ensure that procurement planning reflects the Group’s sustainable corporate aims and objectives as well as those of its subsidiaries and that they are compliant with Scottish Standards and where appropriate, European Union Directives. This provides an opportunity to reevaluate current processes and to provide clear direction for identifying and actioning improvements and to ensure best value is being consistently obtained when any manner of goods and services are purchased.

Link Group aims to undertake its purchasing arrangements to obtain better value for money and to provide optimum contractual protection with regard to all goods and services sourced by the organisation from external suppliers. It also aims to provide enhanced services to its customers by a more coordinated approach to purchasing services and engaging with suppliers to bring greater community benefits.

The objectives of this strategy are:

Objective 1

Ensure good procurement practice is applied consistently across the organisation

Objective 2

Ensure that current and future procurement activities are planned, monitored and reviewed effectively by means of a Strategic Procurement Plan

Objective 3

Ensure sustainability principles are embodied within all procurement activities

Objective 4

Ensure Tendering and Contract Awards for Strategic Procurement are in accordance with legislative requirements and best practice

Objective 5

Ensure we have the correct financial planning and operational tools to deliver the strategy

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1.0 Introduction

1.1 Procurement can be defined as “encompassing the whole process of acquisition of goods, services and works from the initial assessment of a business case through to the end of the useful life of an asset or end of the service contract”. This strategy identifies two categories of procurement:

- Routine procurement – this sets out the processes supporting everyday, low-cost purchasing and procurement and ways of developing and improving the effectiveness of these activities through a range of corporately agreed suppliers.
- High value/strategic procurement – this is where procurement is planned for specific, often large scale, projects and needs to take account of key issues such as tendering requirements and legislation, contract management, implementation and monitoring.

1.2 The aim of this procurement strategy is to enable engagement with suppliers in a transparent and confident manner to deliver best value for the Group. Timing restrictions, normally attained to EU procurement underlines the importance of procurement planning.

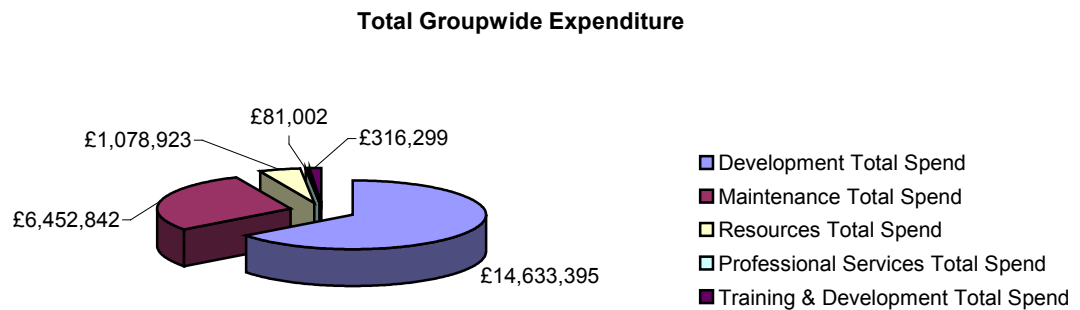
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2.0 OPERATING CONTEXT

2.1 Procurement encompasses the full range of activities that lead to the purchase of goods, services or works. Effective and sustainable procurement ensures best value, both in a cost measured quantitative basis and qualitative benefits through added value to the organisation, its customers and stakeholders.

2.2 Link Group currently procures goods, services and works to an annual value of approximately £22.5M (2006/07) covering a range of transactions from building homes to buying stationery. The transaction process is an important facet in how the product is delivered to the end user, whether this be internal or external customers. From an operational perspective Links expenditure can be disaggregated into the following procurement workstreams:

- Development
- Maintenance
- Professional services
- Resources
- Training & Development



From a cost only basis the potential for gains in value lie largely in Development and Maintenance activity. The strategy aims not only aims to increase value for money but also to ensure all Link's procurement activities are undertaken within a robust and transparent framework.

2.3 Efficiency Agenda

Following publication of the Scottish Government's 'Building a Better Scotland, Efficient Government - Securing Efficiency, Effectiveness and Productivity', John F McClelland CBE conducted a detailed review of public sector procurement in Scotland. The review

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highlighted key areas where both application and outcomes could be more efficient, effective and increase the value of the public pound spent. McClelland stated that:

- Every organisation within the public sector should be obliged to meet the minimum governance and accountability standards.
- Public sector organisations need to improve their procurement business processes
- One of the most significant financial opportunities is collaboration across the public sector including aggregating and optimising the considerable public sector spend
- The high level of dissatisfaction amongst suppliers with the procedures and practices operated by public sector organisations should be addressed

In line with these findings, Link has undertaken a self assessment of its procurement activities to inform the strategy, reviewing:

- Current structure and organisation of procurement activity.
- Current skills and capability deployed on procurement.
- Current practices and procedures.
- Performance indicators and targets applied to procurement activity.
- Ways to achieve efficiency improvements through greater collaboration.
- Project management arrangements for major procurement decisions.
- What lessons can be drawn from experience elsewhere.

2.4 Operational & Policy Influences

Statutory considerations are an integral part of the Sustainable Procurement Strategy. In addition the strategy will require to reflect a range of operational and governance matters as well as emerging Government policy. These include (but are not limited to):

- Standing Orders
- Delegated Authority
- Firm Foundations: The Future for Housing in Scotland
- The Scottish Executive Procurement Directorate
- 'Building a better deal'
- 'Constructing the Team' 1994; the 'Latham Report'
- 'Rethinking Construction' (1998; the 'Egan Report')
- EU Procurement Rules

2.5 Supplier Engagement

Understanding our suppliers is a key feature in producing a strategy, which not only outlines the desired outcomes but also incorporates the tools as to how this will be achieved.

Often one-off, bulk buying is not necessarily the windfall Suppliers seek, whereas continuity of works to ensure sustainability will impact on a greater positive customer/supplier experience. For a supplier this level of continuity will allow more effective business planning returning greater socio-economic gains for Link and its customers.

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This engagement process will allow:

- Effective Resource planning
- Employment and training opportunities
- Increased understanding of client needs
- More effective problem solving

We shall also work with our suppliers to anticipate changes in technology/ economic changes and challenges in the market place

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3.0 CORE OBJECTIVES

- 3.1 The main aims of this sustainable procurement strategy are to ensure value for money, both in a cost measured quantitative basis and qualitative benefits through added value to the organisation and its customer, society and the economy, whilst minimizing damage to the environment.
- 3.2 The Corporate Sustainable Procurement Strategy provides a comprehensive and informed framework for improving value for money and is supported by a range of key objectives:

OBJECTIVE 1

Ensure good procurement practice is applied consistently across the organisation.

- *Annually review against the **baseline** our ongoing procurement activities*
- *Establish clear and easily understood Procedures and provide appropriate training, controls and monitoring.*
- ***Align procurement activities** with other strategies adopted by the Group and ensure that corporate and business objectives are addressed and supported.*
- *Develop a **centralised purchasing** approach to all procurement activities*
- *Produce an **Annual Efficiency Statement** from the annual baseline review.*

Baseline

In order to monitor effectively the improvements in the Group's purchasing expenditure, we will examine our purchasing arrangements using our financial management system, focussing on:

- Volume
- Frequency
- Annual expenditure
- Types of expenditure
- Supply method
- Supplier base

Analysis of this information will identify opportunities for greater collaboration within Link Group and to set targets for improvement, aggregating expenditure to achieve economies of scale and added value.

Procedures

Delivery of the strategy will be achieved by translating its aims into procedural guidance supported by training. In order that controls remain intact through delivery of the strategy procedures will be developed and monitored by Link Group. A template for good practice will be produced in the form of a Procurement Handbook.

Aligning procurement activities across the Group

The first stage of improvement will be identifying procurement activities which do not transparently identify value for money. As part of this process Link will develop a

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centralised policy of purchasing and develop protocol arrangements to devolve powers to the Groups subsidiaries. To ensure we measure and demonstrate our efficiency gains, the baseline position of all procurement activities will be monitored and audited centrally.

The Senior Management Group will have primary and shared responsibility to ensure appropriate protocols and procedures are in place and being followed for all procurement activities. Establishing good practice criterion will require a degree of external market appraisal to ensure efficiency in procurement is optimised. Consideration will be given to re-designating resources to provide a central hub for ensuring compliance, monitoring and advice.

Centralised Purchasing

The objectives of a central purchasing approach are to:

- Undertake an audit of all current procurement activities
- Achieve best value for money in external sourcing by negotiating preferential terms.
- Maximise our purchasing power by utilising the Groups bulk purchasing arrangements.
- Ensure that goods and services meet our specifications and are delivered on time and of the prescribed quantity/quality.
- Seek efficiencies in the procurement process.
- Seek contractual protection against supplier failure/default and compliance with the Group's social, ethical and environmental policies.
- Facilitate supplier-based concordats.
- Ensures that relative purchasing complies with our standing orders and legislative requirements relating to EU Procurement categories and thresholds.
- Provide a procurement framework designed to offer a purchasing environment which could be advantageous to other RSL's to join.
- Reflect best practice
- Benchmark efficiencies against similar organisations

Link Group recognises there are existing skills across the group that are available to develop and test procurement procedures. The procurement hub will work in conjunction with the subsidiaries to ensure the processes can be effectively integrated within existing procedures

Annual Efficiency Statement

Although the format requires to be developed the Efficiency Statement is expected to follow a prescribed format considering:

- Self assessment of efficiency in the baseline year
- Estimated efficiency gains for each year onwards
- Strategy and actions to be taken to achieve that outcome in future
- Evidence that efficiency targets for the previous year have been achieved.

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The Efficiency Statement will benefit Link through providing a benchmark for improvements and enabling these improvements to be measured. It will also demonstrate Link's business competencies to regulator and potential partners

OBJECTIVE 2

Ensure that current and future procurement activities are planned, monitored and reviewed effectively by means of a Strategic Procurement Plan.

- Identify **routine and strategic procurement** activities within the Group and advertise our tendering opportunities accordingly.
- Identify opportunities for working **with others** in the public and private sectors in order to widen the scope for maximising purchasing power and building innovative practices.
- Ensure adequate controls for **risk management** are in place

Routine Procurement

While flexibility needs to be maintained to ensure that staff can respond to "local" requirements, sufficient coordination is required to the benefit accrued from economies of scale and continuity of supply.

Link Group is currently piloting the Government's 'Marketplace' product OGC Solutions, which gives organisations access to online electronic catalogues which have suppliers already identified within EU procurement Rules.

To supplement the above Link Group will also consider:

- Whether the procurement process can be further automated by means of business improvement;
- Electronic tendering and e-sourcing allowing the placing of supplies contracts online with the opportunity for tenders to be returned electronically.
- Development of a designated Web page on the Group's site, identifying our approach and charting tender progress and outcomes of procurement activities

Our overall approach will be incremental, ensuring that risk is minimised while opportunities for benefits are developed and fully realised.

High Value/Strategic Procurement

Although this presents fewer transactions, such contracts tend to be of a high value and potentially carry far higher risks, if not engaged and concluded successfully. Therefore the emphasis on contractual protection against supplier failure/default is more critical.

The Link Group will develop the following arrangements to maximise its key supply chain arrangements based on the combined development programme and planned maintenance improvement programme including but not limited to, the supply of:

- Kitchens
- Bathrooms

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- Boilers
- Radiators and controls
- Windows and Doors and ancillaries
- Electrical components

Link Group will also develop business proposals for a range of Framework Agreements covering:

- Appointment of consultants
- Engagement with contractors
- Engagement with suppliers

Link Group will utilise 4year (maximum) concordats with suppliers and contractors in order that the Group, its customers and suppliers benefit from:

- Better value for money
- Effective Resource planning
- Employment and training opportunities
- Increased understanding of client needs
- More effective problem solving
- Improved satisfaction
- Reinforcing the Group's commitment to sustainability

Consideration will be given specifically to the following Maintenance projects in tandem with agreed supply arrangements:

- Reactive and Void repairs
- Cyclical Painterwork
- Cyclical Grounds Maintenance
- Gas Servicing, auditing and Heating Repairs
- Water risk assessment and management
- Mechanical & Electrical installation servicing
- Stage III Medical Adaptations
- Heating renewals
- Window and door installations
- Kitchen renewals
- Bathroom upgrading
- Electrical installation upgrading

Working with Others

We acknowledge that our size alone may only produce limited benefits especially when considering competing local authorities, RSL's and the private sector at large. Link will therefore be amenable to either offering a framework agreement to other buyers to participate in and/or joining existing and established consortia.

Link recognises that by developing key supply agreement frameworks, Link could become the sales catalyst agreeing a pricing matrix based on annual unit values. As more buyers join, the agreement would allow prices to be reduced for the benefit of Link and the incoming buyers. Link would benefit (like its partners) from a reducing price as volume generated increases.

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This will require to be measured against benefits of joining established consortium arrangements where Link would require to pay a fee to benefit from established agreements and tenders e.g. in the case of OGC a 2% fee.

Risk Management

Each purchasing arrangement will be considered to determine the most appropriate purchasing route and will be demonstrated in the form of a business case. All procurement will be subject to the identification, quantification and subsequent management of risk at an early stage. The prescribed analysis will be completed in line with Link Group's Risk Management procedures. A Project Risk Log will be used for complex, high value or strategic procurement projects and this will be monitored at the various stages of the project in order that any escalations are minimised and lessons are learned.

Health & Safety and Environmental Assessments will form part of the risk assessment. This relates both to ensuring that Link Group's policies and procedures are met, particularly in the supply of services and to ensure that goods or services purchased meet appropriate requirements.

OBJECTIVE 3

Ensure sustainability principles are embodied within all procurement activities

- Develop a **Green Purchasing Guide**
- Undertake qualitative and quantitative assessments to ensure **local economies** benefit from contract awards.
- Assess the environmental impact of goods and services
- Produce added value in enabling wider action activities such as training, peer support models and employment opportunities

Embodied in the strategy are defining principles of sustainability. Link Group seeks to improve its environmental performance and endeavour to ensure that its services, products and operations improve the quality of life of its present and future residents, employees and the communities in which they live and thereby assist Scotland in moving towards a more sustainable economy.

Green Purchasing Guide

Link Group will develop a green purchasing guide to provide guidance to staff on conserving energy and resources while reducing waste and pollution through purchasing decisions. The guide will cover best practice concerning the purchasing of:

- Construction materials
- Office equipment, stationery, paper, office supplies, furniture
- IT equipment and consumables
- Electrical appliances and batteries
- Ozone depleting substances
- Cleaning materials

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Local Economies

Supporting local businesses is an important element of our approach towards sustainability and Link will publicise opportunities to promote relationships with local suppliers and enterprise companies. Such a route will provide challenges in determining the optimum outcome is value for money and will include the development of Social Return on Investment criteria.

We will respond by developing solutions to ensure we optimise value for money and in doing so support local economies, Small and Medium Business Enterprises and communities as a whole. Quality and Value assessments will provide relative indicators to base and award decisions upon.

Environmental Impact

The environmental impact of procuring goods and services could have a significant effect on Links ability to claim demonstrate sustainability credentials. The key principles are to endorse a “reduce, reuse, recycle and rethink” philosophy and to include consideration of whole life costs when considering material specification.

The aims of green procurement will be to ensure products and services being are:

- Environmentally suitable
- Ethically sound
- Locally produced and sourced
- Value for money
- Feature partnership working / buying / promoting
- Clear about full life cycle costs including disposal assessments

Added Value

As referred to above Link will develop Social Return on Investment indicators to complement the value for money assessments to allow decisions to be made about the true added value of following particular purchasing routes.

OBJECTIVE 4

Ensure Tendering and Contract Awards for Strategic Procurement are in accordance with legislative requirements and best practice.

- *Ensure all contract awards are in accordance EU Procurement rules*
- *Develop suitable Framework Agreements to attain best possible value.*

EU Procurement

In accordance with EU Procurement Rules all contract advertising and awards will be undertaken in line with the thresholds applied to maximise competition. Generally, however any contract to procure works, services or utilities over the minimum recommended value will be subject to advertising locally.

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Maintenance

Reactive Maintenance activities will be subject to EU Works advertising. To support this framework agreements will be established with the supply chain.

Planned Maintenance Activities will be subject to the EU Works advertising if the total value over the course of the 4-year period is within 10% or over the Works threshold. Cyclical Maintenance, with the exception of painterwork (designated as works) will be subject to Services advertising.

Development

Until a National Procurement agenda is established, project tendering will be assessed on a project-by-project basis. However to overcome wasteful tendering Link will establish a series of framework agreement for contractors. The frameworks will be designed to provide the flexibility to allow contractors to work efficiently within pre-defined geographical areas and to pre-determined contract values.

OBJECTIVE 5

Ensure we have the correct financial planning and operational tools to deliver the strategy

- Develop a **Web Procurement Page** advertising our processes and status of contracts
- Monitor current and future procurement activities by developing a **Strategic Procurement Plan**.
- Ensure our suppliers have suitable **Business Continuity** plans in place

Web Procurement Page

In accordance with good practice and a willingness to engage with our suppliers, Link will use it's website to publish the procurement strategy and ongoing confirmation of procurement opportunities and activities. The principles will be to encourage suppliers to become more involved with Link by displaying our processes, advising of future contracts and the status of award to those currently within the tender process. This will not negate all circumstances to advertise elsewhere but will act as a marketplace tool.

Strategic Procurement Plan

Link Group's Strategic Procurement Plan will be prepared to ensure that we maximise the opportunities for procurement efficiency. The plan will concentrate on a number of triggers for review:

- Renewal dates for large strategic contracts
- Market opportunities and maturity
- Opportunities from investigating new financial models for the procurement of services
- Performance of services

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- Drive for continuous improvement through the Procurement Improvement Plan
- Analysis of expenditure.
- Analysis of risk

Business Continuity

It is essential that the procurement strategy complements business objectives in a streamlined manner. Link Group will satisfy itself that Suppliers fully understand our approach to business continuity management. The Group's preferred suppliers must demonstrate that they have suitable business continuity plans to minimise disruption in service to Link Group, its internal and external customers or stakeholders in the event of a major incident affecting their buildings, systems, staff or their own external suppliers and sub-contractors

4.0 Equality & Diversity

Procurement practice will reflect our commitment to Equality & Diversity by encouraging relationships with contractors and service providers who are as equally committed to equality.

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ACTION PLAN

CORPORATE SUSTAINABLE PROCUREMENT STRATEGY OBJECTIVES

OBJECTIVE 1

Ensure good procurement practice is applied consistently across the organisation.

Objective Action	Supporting requirements	Measure of Success	Completion date
<i>Annually review against the baseline our ongoing procurement activities</i>	Examine purchasing arrangements reviewing: <ul style="list-style-type: none"> • Volume • Frequency • Annual expenditure • Types of expenditure • Supply method • The supplier base 	Review conducted and outputs reviewed to continually inform activities in the action plan	July 08 (07 complete)
<i>Establish clear and easily understood Procedures and provide appropriate training, controls and monitoring</i>	Develop a Procurement Handbook Initiate training (as required) on completion of handbook	Consistent procedures applied throughout the Group	May 08
<i>Align procurement activities with other strategies adopted by the Group and ensure that corporate and business objectives are addressed and supported.</i>	Establish a Central Procurement Hub Review resourcing requirements to support hub working group and ensure sufficient representation from subsidiaries	Achieve best value. Contract compliance achieved.	From May 08
<i>Produce an Annual Efficiency Statement from the annual baseline review.</i>	In conjunction with the baseline review establish efficiency gains for each year and review target achievement for previous years	Achieve ongoing efficiency gains within prescribed targets	June 09

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OBJECTIVE 2

Ensure that current and future procurement activities are planned, monitored and reviewed effectively by means of a Strategic Procurement Plan

Objective Action	Supporting requirements	Measure of Success	Completion date
Identify routine and strategic procurement activities within the Group and advertise our tendering opportunities accordingly.	Investigate automated procurement processes (including sourcing) Develop web based updates on contractual status	Increased VFM. Improved effectiveness. Increase opportunity for employment and training Consistent specification outputs Increased compatibility	June 2008 From October 2008 From October 2008
Identify opportunities for working with others in the public and private sectors in order to widen the scope for maximising purchasing power and building innovative practices.	Review existing framework arrangements (such as Procurement for Housing/OGC etc) Review existing alliances potential (Rowan/Larach) Consider establishing a Link Agreement as a catalyst to extending to other RSL's	Review identifies suitable course of action either electing one or a combination of agreements	August 2008
Ensure adequate controls for risk management are in place	All contractual Agreements to be reviewed to minimise risk All 'projects' to be updated in the Risk Log	Contractual compliance achieved while minimising risk during agreement period	Ongoing

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OBJECTIVE 3

Ensure sustainability principles are embodied within all procurement activities

Objective Action	Supporting requirements	Measure of Success	Completion date
Develop a Green Purchasing Guide	<p>The guide should cover best practice concerning the purchasing of:</p> <ul style="list-style-type: none"> • Construction materials • Office equipment and stationery paper • IT equipment and consumables • Electrical appliances and batteries • Ozone depleting substances • Cleaning materials • Office furniture. 	Environmental impact of Link's purchases should be known and limited by selecting alternative 'green' solutions where practicable	October 2008
Undertake qualitative and quantitative assessments to ensure local economies benefit from contract awards	<p>Ensure suitable pre contract requirements are established to promote the needs of the local economies. Ensure Small and Medium Business enterprises are not precluded from engaging in the agreements.</p>	Contract awards have a positive impact on local economies.	Ongoing
Assess the environmental impact of goods and services	<p>Assess supplies and material to ensure they are as far as practicable:</p> <ul style="list-style-type: none"> • Environmentally suitable and ethically sound • Locally produced and sourced • Value for money • Featuring partnership working / buying • Clear about full life cycle costs including disposal assessments 	Undertake annual assessment of supplies and materials	July 2008
Produce added value in enabling wider action activities such as training, peer support models and employment opportunities	<p>Ensure any 4 year concordat is fully appraised to facilitate new employment and training opportunities</p>	New opportunities achieved and positive impact on neighbourhoods	August 2008

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OBJECTIVE 4

Ensure Tendering and Contract Awards for Strategic Procurement are in accordance with legislative requirements and best practice.

Objective Action	Supporting requirements	Measure of Success	Completion date
<i>Ensure all contract awards are in accordance EU Procurement rules</i>	Implement and monitor the Strategic Procurement Plan	All contract awards are readily identified and scoped for appropriate lead-in	Ongoing
<i>Develop suitable Framework Agreements to attain best possible value.</i>	Develop framework agreements with: <ul style="list-style-type: none"> • Key supplier network • Consultants • Contractors 	Agreements in place	March 2009

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OBJECTIVE 5

Ensure we have the correct financial planning and operational tools to deliver the strategy

Objective Action	Supporting requirements	Measure of Success	Completion date
Develop a Web Procurement Page advertising our processes and status of contracts	Web Design project to incorporate information posting page <ul style="list-style-type: none"> • Displaying our processes • Advising of future contracts and the status of award to those currently within the tender process. 	Contract status is up to date and suitable signposting exists	November 2008
Monitor current and future procurement activities by developing a Strategic Procurement Plan	Plan to incorporate <ul style="list-style-type: none"> • Client • Procurement Area and Type • Tendering requirements • Contract Duration • Renewal date • And Key performance indicators 	All contracts monitored effectively	Ongoing
Ensure our suppliers have suitable Business Continuity plans in place	Develop and undertake assessments to ensure suppliers can maintain a continuity of service even during a major unplanned event	Only suppliers with suitable Business Continuity statements are engaged.	Ongoing