

**SUSTAINABLE
PROCUREMENT
POLICY
2014-17**

1. Executive Summary

The purpose of this policy is to refresh Gentoo Group's approach to procurement, in line with the Group Business Strategy and Value for Money Policy for the period 2014-17. This policy aims to ensure that Gentoo's approach to procurement is sustainable and delivers social, economic and environmental value.

The document describes Gentoo Group's approach to procurement (Section 5) and the principles inherent with this approach (section 4) that ensures the alignment to the Group's Vision, Mission and Values.

It outlines 7 Procurement Objectives (Section 6)

- Embed a culture that underpins the Procurement Policy
- Ensure a consistent and robust approach to procurement
- Ensure Value for money is being achieved by the Procurement Policy
- Establish a framework to embed planet smart within all levels of procurement, and reduce our indirect emissions through our supply chain
- Establish a framework to embed and measure the Procurement Policy's contribution to the Group's social agenda which will be achieved through working with our supply chain partners
- Improve and manage communications with our supply chain
- Develop a framework to review progress and effectiveness of the Procurement Policy

An Action Plan is detailed at Appendix 2 to take the objectives forward.

2. Introduction

- 2.1** Gentoo Group's vision is to improve the Art of Living beyond our imagination by investing in people, planet and property.
- 2.2** Gentoo Group's whole ethos is about believing nothing is impossible, aiming to inspire and empower people by finding ways to challenge convention, even if this means sometimes shaking things up a bit and doing things differently.
- 2.3** Gentoo Group aims to make society a better place to live and make a real difference to allow people to focus on what is important in their life, and live their lives to maximise their own potential.
- 2.4** Gentoo Group's mission is more than financial gain; it seeks to make a difference to people's lives and make society a better place to live through a committed and empowered organisation.
- 2.5** Gentoo Group spends circa £70m per annum on goods and services. The procurement of goods and services also accounts for 91% of our baseline carbon footprint. In this respect it is therefore critical that Gentoo Group's procurement policy aligns with, and supports, the achievement of the Group's vision, mission and strategic objectives while remaining relevant and practicable to the Group's component parts. The policy will also include a critical focus on governance, risk, VFM and compliance.

- 2.6** The Group is mindful that the impact of procurement is far greater than the actual transaction. Our vision, principles and objectives as set out in this policy illustrate how effective procurement arrangements will support a wide range of social, economic and environmental agendas and as such this policy supports the principles of the Social Value Act.
- 2.7** All procurement is regulated by the Group's standing orders/financial regulations which specifically require compliance with European Public Contracts Directive (2004/18/12). This directive applies not only to Housing Associations but to other public authorities including Government Departments, local authorities and NHS Authorities and Trusts and is a legal requirement.
- 2.8** The Directive sets out detailed procedures for the award of contracts whose value equals or exceeds specific thresholds.

3. What is Procurement?

- 3.1** Procurement is defined as “the process of acquiring goods, works and services”.
- 3.2** Procurement includes activities and events before and after the issuing of a contract as well as the general management activities associated with a range of contracts
- Pre contract activities such as planning, needs identification, analysis and sourcing
 - Post contract activities such as contract management, supply chain management and payment processes
 - General activities such as corporate governance, supplier relationship management, risk management and regulatory compliance

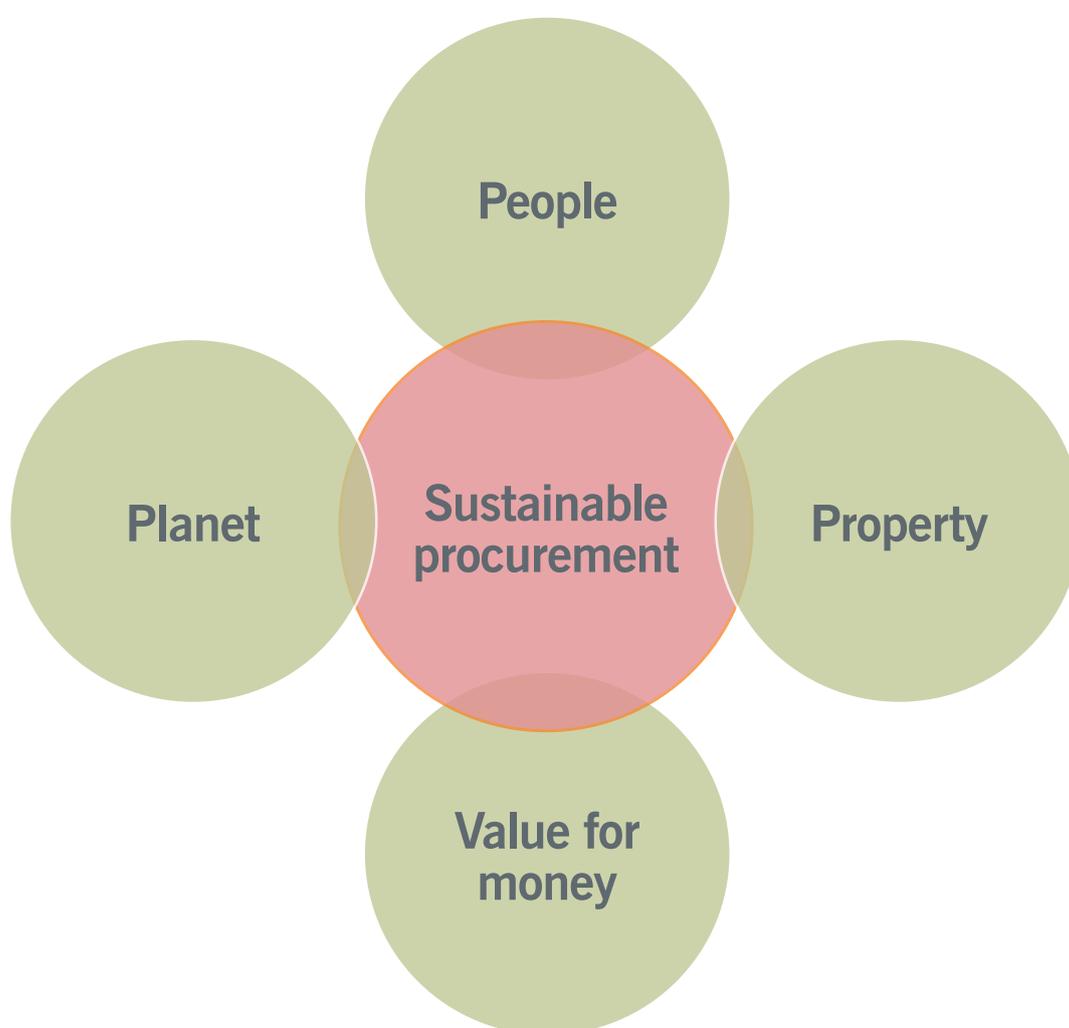
Effective procurement can deliver the following core benefits leading to increased customer / end user satisfaction.

- Security of supply
- Reduced life cycle costs
- Reduced risk
- Improved quality
- Greater added value
- Increased efficiency
- Reduced environmental impact
- Innovation
- Compliance
- Transparency and integrity of process

3.3 In Gentoo, procurement is about having a sustainable approach to the supply of goods and services. Sustainable procurement is defined as achieving Value for Money in terms of life cycle costs, social impact and environmental factors. This approach ensures that we procure goods and services in a way which is aligned to the Group's vision, mission and values. We will work to continuously improve our approach to procuring the goods and services we need.

4. Procurement Principles

4.1 We will develop and implement a procurement approach that achieves genuine 'sustainability' by balancing all aspects of a purchase as illustrated by the following diagram:



All procurement activity will be underpinned by the following principles:

- **People**

Our customers are at the core of our decisions on value for money. Our procurement decisions ultimately impact their lives, whether it is in the quality of products and services they receive, or the financial impacts of our decisions on our supply chain.

With this in mind, customer involvement and customer feedback form a key component of our approach to procurement. Where appropriate we look to involve customers in the procurement process to ensure their views are central to decision making. As a minimum, customer satisfaction and feedback will influence our decision on supply chain partners, contract management arrangements and contract reviews or extensions.

We are committed to working with our customers, staff and stakeholders to develop and deliver excellent services which meet the needs of everyone in the communities within which we work. We will challenge those who do not uphold our values or go against our principles on equality and diversity, and will reconsider our continued relationship with any such person or organisation. We will ensure that in the decision-making process we will consider the people impact of the goods / services being provided.

Ultimately we will adopt procurement practices that have a positive impact upon individual people, the economy and wider society. Gentoo delivers many services designed to improve people's Art of Living and this procurement policy will support those programmes.

- **Planet**

We are committed to becoming more 'Planet Smart' as a business, both in our direct and indirect operations. We are aware that 91% of our carbon footprint is within our supply chain and we therefore intend to work with our supply chain in a targeted way to reduce our indirect emissions. We will do this by engaging with our suppliers so they can be more planet smart too. This will mean working together to realise continual and measurable reductions in environmental impacts.

- **Property**

Where goods and services relate to property, we will consider all aspects of their lifecycle in procurement, understanding and reacting to maintenance costs by undertaking trend analysis. We will ensure we are aligned with the Group's Asset Management Strategy the objectives of which are:

- Ensuring assets meet an aspirational standard
- Deliver sustainable communities for our customers
- Adopt and promote a strategic approach for managing our assets through continuous improvement
- Ensure customers needs and aspirations are a key consideration
- Ensure that the Group identifies, assesses and mitigates risks associated with the Asset Management Strategy
- Demonstrate strong financial accountability, maximising value for money

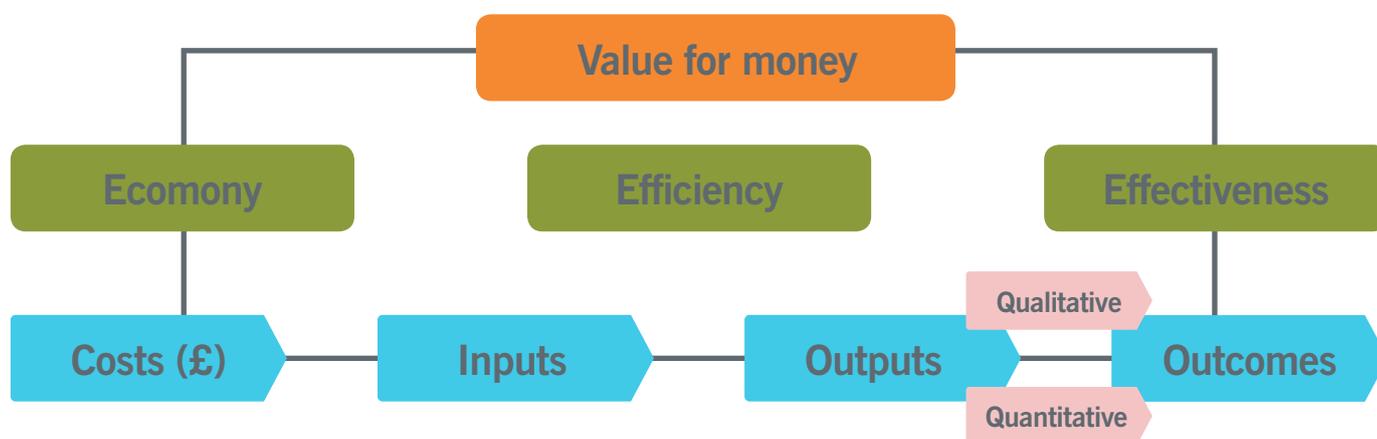
- **Value for Money**

We will follow the Group’s policy on Value for Money and will support it as a Group strategic outcome, by ensuring we procure goods and services adopting the 3 ‘E’s principles alongside the social and environmental impacts.

Economy – the price paid for what goes into providing a service. It is also about minimising the cost of resources of an activity.

Efficiency – a measure of productivity i.e. how much you get out in relation to what is put in.

Effectiveness – a measure of the impact achieved, both quantitative and qualitative or a measure of outcomes.



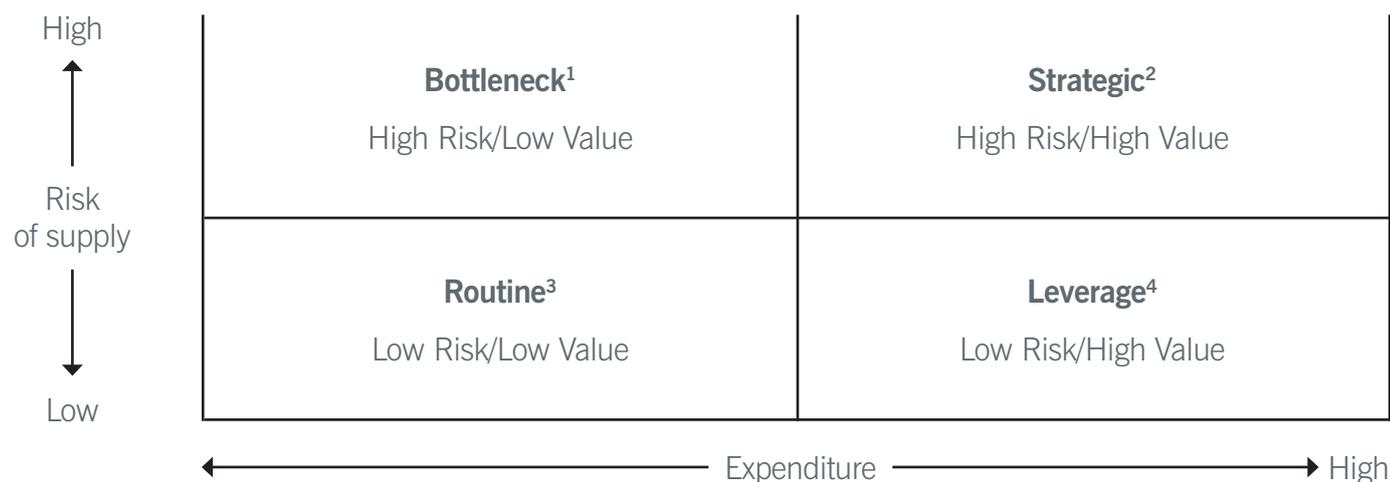
The above diagram highlights how efficiency and cost effectiveness work alongside economy of expenditure and impact to achieve overall Value for Money. The 3 ‘E’s alongside the People, Planet and Property principles of this policy ensure that Value for Money is achieved in line with the Group’s Value for Money definition.

All procurement decisions will consider the principles at varying levels depending upon the category of spend.

5. Procurement Approach

5.1 Gentoo Group's approach to procurement is both value and risk based. Once the level of value and risk for a particular activity has been identified, the approach required to purchase the goods or services is determined using a risk-value matrix analysis, as shown below.

The four categories can be illustrated as following:



5.2 Category Definitions

¹**Bottleneck** means that if there is a failure of supply, this could lead to significant disruption and it may not be easy to replace the source of supply i.e. the market could be limited. These goods or services can be high risk but relatively low in unit value (for example specialist equipment i.e. passenger lift spares).

²**Strategic** procurement is complex, high impact and high value. It is also critical to service delivery. Long term contracts and supplier partnerships should be considered (for example – the Group's commercial fleet).

³**Routine** refers to low value and high volume of generic goods and services. The emphasis is on the process efficiency and minimising the administration associated with procuring such supplies and services (for example – stationery requirements).

⁴**Leverage** enables the Group to maximise our purchasing power through aggregation of requirements (for example consider the use of local and national consortia arrangements i.e. photocopiers).

As part of this approach we have the option to create our own tender but we can also consider using various regional and national buying consortia framework agreements that are in place. Analysis is undertaken to determine the best route to market having considered the options above.

6. Procurement Objectives

We have identified 7 procurement objectives to ensure sustainable procurement is achieved and procurement within the Group is aligned with the Group Business Strategy and Value for Money Policy.

6.1 Embed a culture that underpins the Procurement Policy

- Develop a bespoke training plan that recognises training needs
- Review methods of engagement/communication with stakeholder
- Set up cross departmental working groups to establish closer working relationships
- Establish an effective engagement/communication plan

6.2 Ensure a consistent and robust approach to procurement

- Develop an effective spend profile analysis to establish baseline position
- Determine which risk assessment approach should be utilised for all major spend areas
- Develop procedures to ensure compliance with Group standing orders/ISO
- Continue to develop the Group's Purchase To Pay Solution (Ebis) and roll-out to other areas of the business
- Review existing systems and processes to incorporate lean and systems thinking
- Research Best Practice by continued membership of Procurement Consortia, Benchmarking Clubs and Networking Groups

6.3 Ensure Value for Money is being achieved by the Procurement Policy.

- Develop a framework that identifies cashable and non cashable efficiencies with stakeholders without any detriment to quality
- Determine clear internal and external communications links to allow the success of the policy to be shared by all
- Establishing Measures of Value:
 - Total life cycle costs v purchase cost
 - Quality through specifications, guarantees, warranties etc.
 - Category Management to capture Trend Analysis, KPI's and evaluate evidence for change

- 6.4** Establish a framework to embed planet smart within all levels of procurement, and reduce our indirect emissions through our supply chain.
- Create a framework to identify our baseline position
 - Develop a process to measure carbon emissions from all supply chain spend
 - Engage suppliers on planet smart, targeting high spend, high emission or engaged suppliers
 - Work with suppliers to put in place practices or processes which will reduce our indirect carbon emissions
 - Embed planet smart in Group procurement processes, to reduce unnecessary demand, waste and encourage procurement of more planet smart goods and materials
 - Develop a framework to measure the reduction in carbon emissions from projects and initiatives undertaken in our supply chain
- 6.5** Establish a framework to embed and measure the Procurement Policy's contribution to the Group's social agenda which will be achieved through working with our supply chain partners.
- Create a framework to identify our baseline position
 - Work with Gentoo Living to establish a metric that calculates the social value of the opportunities we create with our supply chain partners
 - Set targets to deliver social and economic value, including:
 - Employment and training/works experience opportunities
 - Volunteering and community engagement opportunities
 - Impact on the local economy through supporting social enterprise, SME's, local labour etc.
 - Establish supply chain working groups to encourage implementation of the practical changes that will deliver social and economic value
- 6.6** Improve and manage communications with our supply chain.
- Undertake an assessment of the base line position
 - Continue to develop supply chain portal
 - Set targets for the number of supply chain partners who have completed their registration
 - Ensure our supply chain partners are aware of, and aligned to, the new Procurement Policy
 - Establish a supply chain engagement programme
 - Encourage and support suppliers in adopting new procurement processes
 - Develop shared learning and innovation throughout the supply chain to help achieve the overall aim of social, economic and environmental benefit

6.7 Develop a framework to review progress and effectiveness of the Procurement Policy.

- Develop a programmed review of the policy to ensure it is fit for purpose
- Establish a performance monitoring framework
- Establish measures to quantify the effectiveness of the policy in meeting its overall aim

We intend to review our progress against the journey map (see Appendix 1) which has been developed by British Standards to illustrate how sustainably goods and services are procured. As part of this we will engage with our internal stakeholders to undertake a self-assessment against the journey map to enable a 'baseline' to be established for each business unit.

7. Engagement and Communication

7.1 Embedding the Procurement Policy will be the key to success. It is vital that all staff who have responsibility for the purchase of goods and services understand and 'buy-in' to the policy.

7.2 Our supply chain partners also need to have an understanding of the Procurement Policy and the metrics used to measure the delivery of the policy across the Group.

7.3 An engagement/communication plan will be developed to ensure staff, partners and stakeholders have the opportunity to provide feedback on the policy and are aware of progress against it.

7.4 Progress against the Procurement Policy to be reported up to Group Executive Team.

8. Ensuring Success

8.1 Responsibility for the successful delivery of this policy rests with everyone who procures goods or services within Gentoo Group. Support and advice is available from the Central Procurement Team, details of the team and the services offered can be found in the Governance and Enabling Services Offer Brochure or via the Intranet.

8.2 The Procurement Policy will be reviewed annually by the Central Procurement Team, in conjunction with stakeholders, over the next 3 years to ensure it delivers the objectives that have been documented and highlighted within the Action Plan. In addition to this, items which have cross over with the Value for Money Policy will also be subject to an internal audit.

8.3 Individual companies within Gentoo Group will have their own action plan which will have generic and service specific actions and assigned lead / support responsibilities.

9. ACTION PLAN

See Appendix 2.

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