

**PPN 03/21 Supply Chain  
Resilience - Case Study**

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## 1. Introduction

- 1.1 The Northern Ireland Housing Executive (NIHE) procures a vast array of supplies, works and services. These requirements are procured, in the main, by way of competition in line with Northern Ireland Public Procurement Policy (NIPPP) and the Public Contracts Regulations 2015 (PCR 2015). Northern Ireland Public Procurement Policy (NIPPP) is approved by the Northern Ireland Executive and is mandatory for central government Departments, Non Departmental Public Bodies and Public Corporations.
- 1.2 Procurement Policy Notes (PPNs) are the means by which the NI public sector is advised of procurement policy. These guidance notes are approved by the Northern Ireland Procurement Board and in turn become part of NIPPP. In 2021 Construction Procurement & Delivery (CPD) published Procurement Policy Note 03/21 – Supply Chain Resilience. This case study describes how the Housing Executive has implemented the requirements of PPN 03/21.

## 2. PPN 03/21 Requirements

- 2.1 The key requirement for the Housing Executive in PPN 03/21 is to map supply chains for our critical supplies contracts. Critical refers to goods which, if disrupted, would have an impact on health and safety or well-being of citizens or where an organisations ability to deliver public services would be significantly impacted.
- 2.2 Any supplies contracts categorised as critical will have their associated supply chains mapped in accordance with the PPN to enable risk to be assessed and resilience developed accordingly.

## 3. Categorisation of Contracts

- 3.1 The Housing Executive's Corporate Procurement Unit (CPU) has developed a Supply Market & Portfolio Analysis Procedure that is used internally by CPU procurement officers and contract managers to categorise all contracts valued above £30,000. Contracts valued below £30,000 are considered low risk or, in the context of PPN 03/21, non-critical and are not assessed.
- 3.2 The portfolio analysis undertaken for contracts valued above £30,000 assists in the development of procurement strategies that reflect the nature and availability of the goods and services used by the Housing Executive. This technique enables CPU to understand the complexity of the market, the key suppliers, market trends and developments, competitive forces and their position in the market place. This leads to a tailored approach to individual procurements to enhance the outcomes such as value for money and better management of supply chains. This approach also helps identify

opportunities to improve diversity and sustainability within a supply chain and consequently improve its resilience.

- 3.3 The Housing Executive's approach to categorising contracts makes an assessment based on a commonly used method that takes account of business impact and market complexity. The contract is categorised as either tactical, bottleneck, leverage or strategic. In the context of PPN 03/21, only contracts identified as strategic will be considered as potentially critical and in need of further assessment.
- 3.4 In addition to the completion of the above analysis for all procurements valued above £30,000, CPU also completes a risk register that takes in to account project risks, supply chain risks and any other risks that may be associated with each individual procurement.
- 3.5 The approach outlined forms part of a documented procurement strategy developed individually for each project,

## 4. Current Position

- 4.1 Although the Housing Executive has not categorised any of our supply contracts as critical since the publication of PPN 03/21, CPU has needed to adapt quickly to unprecedented disruption to existing supply chains. Some of the approaches that have been taken are summarised below and have ensured that the organisation has been able to source all of the goods it requires during a very difficult period.
- 4.2 As with many organisations managing the impact of the COVID-19 pandemic, the Housing Executive required substantial volumes of PPE to continue providing the essential services our customers rely upon. In addition, CPU were asked to put in place arrangements that would ensure PPE supply for approximately 70 other organisations funded through the Housing Executive's Supporting People programme. Due to global shortages combined with a huge increase in demand, there was significant disruption throughout PPE supply chains during that period and many items were difficult to source with long lead times and significant fluctuations in prices. CPU used the accelerated open procedure to quickly establish a framework with 100 suppliers worldwide that could be used in a way that would maximise the ability to source products quickly through mini competitions. Since establishing the framework, CPU have held approximately 30 mini competitions and procured the PPE required by both the Housing Executive and organisations we work with to deliver services directly to end users.
- 4.3 In February 2022 as Russia's invasion of Ukraine began, CPU contacted the Housing Executive's Direct Labour Organisation (DLO) to assess the potential impact on our existing supply chains. The Housing Executive's DLO employs over 450 people and provides an in-house building, grounds

maintenance and a specialist works service. CPU procure a wide range of supplies for DLO and disruption in those supply chains could have a direct impact on Housing Executive tenants. It was quickly verified through discussion with suppliers that the main products at that time were not being sourced from either Russia or Belarus. Some examples are shown below:

<b>Product Type</b>	<b>Source</b>
Timber	Scandinavia
Doors	UK & EU
Composite Doors	China
Electrical Materials	UK, EU, US, China
Building Materials	UK, EU
Building Hardware	India, China
Plumbing Materials	UK, EU, China

Although the sources of these products excluded Russia and Belarus, it was determined that there was a low risk associated with the commodities and minerals used to manufacture some of the products. For example, DLO purchase steel railings, ramps, etc. and the country of origin for the steel is typically Turkey or India. However the metals used to manufacture the steel are often sourced from a range of countries and the source can change on a daily basis. Due to the dynamic and complex nature of these markets it was determined on this occasion to limit the mapping of the supply chains to the product manufacturers.

- 4.4 The operating environment over the last 12 months continued to be challenging, particularly in terms of high inflation leading to significant cost increases across a range of contracts. CPU quickly adapted to the recent instability by using different procurement strategies that focus more on shorter term contracts, industry specific price adjustment indices and establishing frameworks that allow for larger fluctuations in price compared to longer term, fixed price contracts. Using a flexible commercial approach has been more resource intensive as expected but sharing inflationary risks in a more equitable manner has proven to be successful in terms of being able to procure the supplies, services and works required by the Housing Executive.

## 5. Future Position

- 5.1 CPU will continue to assess and categorise each contract as described in this paper and will apply PPN 03/21 as required. Although the more flexible approach to sourcing that CPU have applied to a number of categories in the last three years has generally been successful, it is expected that inflationary pressures will ease in the second half of 2023 and that markets will stabilise in 2024. If that is the case CPU intends to change the existing strategy in a range of categories to award longer term, fixed price contracts to reduce the impact on internal resources and provide greater certainty for both our internal customers and our suppliers.