

		<h1>PROCUREMENT POLICY</h1>	
Written by:	Chief Executive	Version:	4
Approved by:	Management Committee	Date:	29.03.17
Next Review Date:	February 2022	Pages:	8

Para 3.1.1 changed as agreed at MC, 30.01.19

Contents

	<u>Page</u>
1. Introduction & Objectives	
1.1 Scope of Policy	1
1.2 Policy objectives	1
1.3 Procurement Approach	2
2. Principles	
2.1 Authority	2
2.2 Value for Money	2
2.3 Equal Opportunities	2
2.4 Sustainability	3
2.5 Conflicts of Interest	3
2.6 The Social Economy	3
2.7 Risk Management	3
3. Method of Supplier Selection	
3.1 Development/Maintenance Contractors and Development Consultants	4
3.2 Reactive & Cyclical Repairs Contractors	5
3.3 Grounds Maintenance	5
3.4 Other Consultancy Services	5
3.5 Suppliers of Other Goods & Services	6
3.6 Insurance Work	6
3.7 Emergency Work	6
4. Terms of Appointment	
4.1 Development Contractors	7
4.2 Development Consultants	7
4.3 Other Consultants	7
4.4 Other Services	7
4.5 Goods to Equipment	7
4.6 On-line Procurement	7
5. Terms of Payment	7
6. Policy Review	8

1. Introduction & Objectives

- 1.1 Procurement is the process of obtaining supplies, services and works. It is not just purchasing or commissioning but means the process by which outcomes are effectively secured for customers and the Association through the exchange of funding, partnering or contracting.

Based on this we can define effective procurement as the acquisition of goods, services and works at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of organisations, or individuals.

The Association will ensure that it procures supplies, services and works that represent value for money for its customers and the Association.

The purchase of goods, services, and the commissioning of works/development projects represent a very significant part of the expenditure of Orkney Housing Association. In volume and nature these can range from major building contracts of over £1m to stationery supplies of a few pounds.

Effective and efficient purchasing of these goods, works and services provides us with real opportunities for achieving value for money and reducing our operating costs.

The procurement of services and goods is currently regulated by EU rules, our financial policies, procedures and regulations, Standing Orders and Model Rules. In order to achieve efficiencies and improve services, it is necessary to procure legally, competently and allow innovation within procurement.

This policy outlines the Association's corporate approach to all of its procurement activities. This includes, but is not limited to:

- Corporate Services
- Care & Repair Services
- Development & Properties
- Finance & Asset Management
- Housing and Customer Services
- Tradesman services

- 1.2 The Policy Objectives are to:

- a) Buy efficiently, wisely and achieve value for money in the procurement of goods and services.
- b) Ensure that the Association has access to the best goods and services available
- c) Monitor performance and maintain standards in the supply of goods and services.
- d) Minimise the risks associated with the procurement process.
- e) Manage our procurement so that small and medium enterprises (SMEs), particularly those who are locally based, have a good opportunity to access our contracts.

- f) Ensure that we conduct all our procurement in accordance with the Procurement Reform (Scotland) Act 2014, the Public Contracts Scotland Regulations (2015) and all supplementary and succeeding relevant legislation as it affects us.
- g) Select and treat our suppliers in a fair, open and accountable manner which reflects the highest standards and integrity and in doing so, comply with the European Union (EU) principles of:
 - Accountability
 - Integrity
 - Efficiency
 - Openness
 - Fairness
 - Transparency
 - Equal treatment and non-discrimination
 - Proportionality

1.3 The Association's approach to procurement is based upon a mixture of different methods including partnership, quotes and tenders and specialist services designed to ensure the highest level of Value for Money (VFM). The Association does not have the scale of operation that would sustain a central procurement service and as such responsibility for procurement lies with budget holders.

2. Principles

2.1 Authority

Authority to purchase goods and services is devolved to budget holders to purchase within budgetary limits and is governed by our Scheme of Delegation. Authority to authorise orders may be delegated to other named, responsible members of staff, but budget holders retain responsibility and accountability for the spend and the procurement process.

All budget holders have a duty to monitor and ensure compliance with this policy within their teams.

2.2 Value for Money

The Association believes value for money is achieved through a procurement process which takes account of quality as well as price. The extent to which each influences the selection process will depend on the nature of the procurement. We will seek to ensure that, over time, we reduce the cost of procurement.

2.3 Equal Opportunities

The Association's Equal Opportunities Policy states that all types of discrimination are wrong and this is fundamental to all its activities, including procurement. The Association is aware that the level of procurement which it undertakes is significant within the local context and will conduct its procurement in a manner free from discrimination.

The Association will, where possible, use its influence as a major user of goods and services, to ensure that its suppliers are not involved in discriminatory practices. All suppliers or service providers will be required to confirm whether or not they have an equal opportunities policy and are expected to comply with the goods and services code of practice issued under the Disability Discrimination Act.

2.4 Sustainability

The Association's Sustainability Policy states that the Association is committed to the principles and practices of sustainable development.

In the context of procurement, when scoring the quality elements, we will consider:

- The use of local labour and suppliers.
- The selection of environmentally friendly goods and materials.
- Suppliers who demonstrate environmentally friendly practices.

2.5 Conflicts of Interest

Activities of the staff and Management Committee members of the Association are guided by our Entitlements, Payments and Benefits Policy (EPB). The EPB policy sets out guidance which is required to be followed by individuals in relation to use of our contractors and suppliers. The EPB policy should be considered, and followed in detail and in spirit, when conducting procurement.

2.6 The Social Economy

The Association is committed to working with the social economy and will ensure that Third Sector organisations will have the opportunity to compete equally for the provision of our goods and services.

A range of social issues can be addressed in procurement including community benefits, employment, equality and workforce skills. This will be done in a way that is consistent with value for money and, where applicable, procurement rules.

Incorporation of social issues into procurements will be considered where they are relevant and proportionate to the subject matter of the contracts.

2.7 Risk Management

The main risks associated with procurement are:

- The prospect of a supplier under-performing
- The financial failure of a supplier
- Staff do not follow correct procedure

The risk of a supplier underperforming will be minimised by taking up references for firms undertaking work for the first time.

The financial health of a company will be assessed from a review of the previous three years annual accounts and by obtaining Dun and Bradstreet financial reports (or equivalent).

In the case of development contractors, where a company is unable to provide adequate acceptable financial history which reduces risk to an acceptable level, we will take steps to protect the interests of the Association. These may include, but are not limited to:

- Requiring a Performance Bond for a percentage (%) of the contract sum;
- Reviewing retention rates during the project, and withholding a larger percentage until the end of the project;
- Taking additional security in the form of cash or other assets for the duration of the contract and defects period.

The Association will also maintain a register of insurances required to be held by contractors and consultants and this will be reviewed on a regular basis.

A detailed procedural Procurement Manual will be available for all relevant staff to ensure that they comply with our Procurement Policy.

3. Supplier Selection

3.1 Development/Maintenance Contractors and Development Consultants

3.1.1 This is the major area of spend for the Association. It is therefore, the main area where we can achieve significant benefits from a high-quality and efficient procurement process.

The Association procures development projects either via the Design and Build route or the Traditional Tender via Bill of Quantities and Drawings via Public Contracts Scotland route.

Approved Lists of contractors and consultants will be maintained for development and maintenance activities. Contractors can apply to be included on these lists at anytime, subject to successfully meeting the selection criterion and Management Committee approval. The Approved Lists will be subject to approval and review by Management Committee.

3.1.2 Contractors and consultants wishing to apply for inclusion on our Approved Lists will be required to complete an application form and to provide information about the company personnel, policies, experience and finances. Staff will submit reports to Management Committee with recommendations as to acceptance onto the Approved Lists. Unsuccessful applicants will be provided with feedback.

3.1.3 At least annually, staff will review the performance of the contractors and consultants and will report thereon to Management Committee for approval to remain on the framework.

3.1.4 In general, development contractors and consultants will be appointed on a project by project basis. However this does not rule out the option of appointments being made for a series of projects where this represents better value for money.

3.2 Reactive & Cyclical Repairs Contractors

3.2.1 Whilst we operate an in-house Tradesman service providing reactive and void repairs, the Association also outsources work from local contractors to ensure that we meet our Performance Targets. We also outsource specialist work such as electrical, heating and exterior painting.

We will evaluate the annual expected spend in specific areas and introduce frameworks where it is appropriate to do so. We will tender all works in conjunction with the limits and guidance set out in the Procurement Manual.

3.3 Grounds Maintenance

3.3.1 The Association arrange for the grounds maintenance and grass cutting for the majority of our rented properties, and also for a significant amount of common areas. Our contractors for this service are almost always exclusively local SMEs, often sole traders.

3.3.2 We will explore the merits of developing a framework of approved contractors and for grounds maintenance. Applicants for inclusion on the framework will be invited by advertising at least every three years. This framework will be subject to approval and review by Management Committee

3.3.3 Where we deem it will not lead to the most efficient way of procuring grounds maintenance services, we will follow traditional procurement methods. We will tender all works in conjunction with the limits and guidance set out in the Procurement Manual.

3.4 Other Consultancy Services

3.4.1 Where the provision of professional services is likely to benefit from continuity and the establishment of an ongoing working relationship, consultants will be appointed on a term basis. Such appointments, although ongoing, would be conditional upon satisfactory periodic reviews of performance with an option to terminate.

The following professional services will be procured by this method:

	<u>Term of appointment</u>	<u>Review period</u>	<u>Selection Criteria</u>
External Audit	5 years*	Annual	Quality & price
Internal Audit	5 years*	Annual	“
Insurance Services	3 years*	Annual	“
Legal Services ¹	Continuing	Annual	“
IT advice	1 year	Annual	“

*We will normally consider an option for including the possibility of extending these contracts for up to two further years. This may be on the basis of a +2 years, or +1, +1 year.

- 3.4.2 Other professional consultancy services will be procured on a project by project basis with selection based on quality and price. Achieving a match between the project requirement and the skills of a particular consultant practice is the over-riding consideration.

Where possible at least two suitably qualified and experienced consultants/firms will be identified and invited to submit proposals and fee quotes based on a detailed brief.

As a minimum the brief should contain the following information:

- Background information
- Purpose and scope of the project
- Desired outcomes
- Timescales

Where the Association has no direct experience of the consultant, and they are not on a framework which we can access, references should be taken up from at least two reputable sources.

- 3.4.3 There may be rare occasions when the availability of suitable specialist consultant is limited and competitive pricing is not feasible. In these circumstances appointments may be made on the basis of a negotiated fee.

3.5 **Suppliers of goods and other services**

- 3.5.1 The Association may procure miscellaneous goods and services from any suitable suppliers.
- 3.5.2 When procuring goods and equipment the quality of after sales support will be considered and, if relevant, should form part of the quality assessment.
- 3.5.3 The Association will always seek to achieve best value from Procurement, and in doing so may consider outright purchase, leasing, hire-purchase or any other available options.

3.6 **Insurance Work**

In certain insurance claims it may be necessary to use a particular firm at the direction of the loss adjuster.

3.7 **Emergency Work**

In an emergency, works may be instructed outwith this Policy where there is an over-riding priority to get the work done. Wherever possible, this should be via a contractor who is on a framework which is accessible to us.

4. Terms of Appointment

4.1 Development Contractors

The SBCC Conditions of Contract and SBCC Design and Build Contractors are the preferred contract for the appointment of development contractors.

4.2 Development Consultants

The standard terms of appointment for the appointment of development consultants will be as set out in the Association's Development Procedures.

4.3 Other Consultants

Other consultants will be appointed with a commissioning letter detailing the terms of engagement with reference to a clear brief.

4.4 Other services

Contracts for the procurement of services (eg equipment maintenance) will be subject to careful scrutiny and should include:

- Description and scope of service to be provided.
- Performance standards.
- Provision for performance review.
- Provision for termination in the event of failure to perform.

4.5 Goods and Equipment

Orders for goods and equipment must be made by an authorised individual using an official order form (or works order).

4.6 Online Procurement

It may be beneficial to order goods over the internet. When purchasing goods via online suppliers, the principles of this policy as defined in section 1.2 should be followed.

5. Terms of Payment

5.1 Subject to the Association being satisfied with the quality of the goods/services provided, payment will be made in accordance with the terms agreed with the supplier.

5.2 Payments relating to development projects will comply with the requirements of The Housing Grants, Construction & Regeneration Act 1996 (The Construction Act) or Scheme for Construction Contracts (Scotland) Regulations 1998.

5.3 In the event that the supply is judged to be unsatisfactory, immediate notice will be provided to the supplier outlining the nature of the under

performance. The supplier will normally be given the opportunity to rectify the situation.

- 5.4 Where no specific payment terms have been agreed, payment will normally be made within 28 days of the invoice date.

6. Policy Review

- 6.1 This policy will be reviewed as required but at least every five years.