

PROCUREMENT OF GOODS & SERVICES POLICY

1.0 INTRODUCTION

1.1 This policy describes how we will purchase, or 'procure', goods and services.

1.2 The term 'procurement', as used in this policy, covers the process of purchasing the full range of goods and services we require, ranging from small items purchased using petty cash through to major contracts awarded following a full tendering process.

It does not cover the setting of the staffing establishment or the incurring of staff costs through the approval to appoint permanent or temporary staff. These are covered by our Financial Regulations and our policy and procedures on Recruitment and Selection.

1.3 This policy sets out the overall framework for the procurement process. It is supported by a range of policies and procedures detailing the processes for specific activities (see Appendix 1).

1.4 In all our procurement activities we will aim to achieve value for money by ensuring that whenever appropriate we assess both quality and cost. We recognise that the lowest cost does not necessarily represent best value.

1.5 This policy has the following sections:

- Section 2 - Procuring Goods & Services – General
- Section 3 - Authority to incur expenditure
- Section 4 - Prices, quotations & tenders
- Section 5 - Contracts & service agreements
- Section 6 - Specialist suppliers or contractors
- Section 7 - Other methods of procurement
- Section 8 - European Union procurement rules
- Section 9 - Sustainability
- Section 10 - Equality and Diversity
- Section 11 - Risk Management
- Section 12 - Implementation and review

1.6 This policy complies with the Scottish Social Housing Charter, Standard 13, 'Value for Money' and SHR Regulation 3.

2.0 PROCURING GOODS & SERVICES - GENERAL

2.1 The main types of goods and services covered by this policy are:

- small items of office supplies or perishable (consumable) products;
- all printing, stationery, postage, photocopying, advertising & general publicity materials;
- training courses, conferences, seminars and training materials;
- utilities – heating, lighting, power, telephone and fax services;
- office accommodation, office cleaning services;
- all types of office furniture and equipment;
- all IT hardware, software, support and back-up services;
- maintenance contracts related to office-based equipment or services, e.g. IT and telephone equipment; fire and security alarms etc.;
- professional services including internal and external auditors, solicitors, bankers, insurance brokers, PR consultants, Consultants involved in project Design Teams, all other specialist Consultants, etc.;
- the full range of property repair and maintenance services including landscape maintenance where appropriate and any current service contracts;
- new-build or rehabilitation/refurbishment construction projects, including the installation of aids or specialist adaptations.

2.2 Goods and services will be procured using:

- petty cash or ARK cheque;
- ARK Visa card;
- telephone orders quoting an ARK order number or reference (normally where a formal arrangement, i.e. an account, has previously been set up with the supplier);
- written orders, e.g. letter, e-mail, fax, supplier's order form, course/conference application form, or ARK official order form;
- signed contracts or agreements, e.g. for major building or planned maintenance projects, major equipment purchases, leases, annual maintenance contracts, professional services, etc.

2.3 Procurement decisions will be made using information from the following sources:

- suppliers' catalogues or price lists, including prices obtained via the internet;
- simple quotations received by 'phone or email;
- written quotations received in response to our specification;
- competitive tenders received in response to our detailed specification or brief;
- negotiated or other types of tenders;
- negotiated partnering arrangements or framework agreements;
- assessment of the relevant market, including the receipt of professional advice from external consultants, e.g. with regard to IT procurement.

2.4 Payment will be made by:

- Petty cash;

- ARK cheque;
- ARK Visa card;
- Bankline (internet banking system);
- BACS (Bank Automated Clearing System)

3.0 AUTHORITY TO INCUR EXPENDITURE

- 3.1 All proposed expenditure should be in accordance with section 18 'Orders for Works, Goods and Services' of the Financial Regulations. In addition, as per section 4.2 of the Financial Regulations those responsible for incurring expenditure should not be responsible for payment of the resulting accounts.

Expenditure included in the annual budget

- 3.2 Where the proposed expenditure is already included in the approved annual budget, the authority to incur expenditure will be delegated by the Board of Management to the appropriate Sub-Committee, to the Chief Executive or other specified member of SLT, with the exception of items for which the Board retains responsibility for approving. This includes the appointment of contractors, in accordance with section 4 below.
- 3.3 Details of the current levels of authorisation are contained in the Standing Orders.

Expenditure not included in the annual budget

- 3.4 Where the proposed expenditure is not included in the approved annual budget, the Board of Management will delegate authority to approve expenditure up to specified limits, as detailed in Appendix 2, part A.

Reviewing levels of delegated authority

- 3.5 The Finance Sub-Committee will review the levels of delegated authority at regular intervals, as specified in the appropriate policies and procedures, to ensure that they remain relevant to current expenditure patterns, cost inflation etc., while ensuring at the same time that there are adequate controls over expenditure at all levels.

The Finance Sub-Committee will recommend any amendments required to the Board of Management for approval.

4.0 PRICES, QUOTATIONS AND TENDERS

- 4.1 Before placing an order, the buyer should ensure they have secured the best price possible. The process to achieve this is dependent on the value of the proposed spend. Appendix 2 (Part B) sets out the financial limits and required procedure which is also discussed in more detail below.

Prices

- 4.2 For items below the current limit requiring written quotes or tenders, the member of staff with the appropriate delegated authority, as specified in section 3.2 or 3.4 above will, where appropriate, seek to check at least two alternative prices either by telephone, accessing a current price list or catalogue (including via the internet), or by requesting details by email or fax. Wherever possible, the member of staff will seek to negotiate a discount from the

catalogue or 'list' price.

- 4.3 Exceptions to this general rule will include where there is only one recognised or approved supplier, or where the item is covered by a contract, or similar arrangement.
- 4.4 If for any reason the lowest price is not accepted, the details will be noted in the relevant file together with the copy of the final order (or copy fax or letter etc.).

Quotations

- 4.5 The current financial limits above which two or more written quotations must be obtained, are detailed in Appendix 2, Part B. Full details of the process are detailed in the procedure 'Prices, Quotations and Tenders'.
- 4.6 The member of staff seeking quotations will ensure that sufficient detail is provided to enable accurate, comparable quotes to be received.
- 4.7 Where the lowest quote is not accepted, the member of staff will ensure that a note of the reason(s) is filed with a copy of the final order (or fax or letter).

Tenders

- 4.8 The current financial limits above which two or more written tenders must be obtained, are detailed in Appendix 2, Part B. Full details of the process, including approval limits are detailed in the procedure 'Prices, Quotations and Tenders'. Any deviations from the limits or process must be documented and approved by the Director of Finance.
- 4.9 Tender documents will contain full details of the project or service, together with details of any quality criteria to be applied, so that those invited to tender are able to submit accurate, comparable tenders. The documents will also give clear instructions on how tenders are to be submitted.
- 4.10 Those tendering exercises over £250,000 will be submitted to the Board of Management or appropriate Sub-Committee, for approval. The results of any other tender exercises below £250,000 will be reported to the Committee annually as part of the Head of Maintenance report to the Finance Sub-Committee and subsequently to the Board. Copies of full tender documents and review documents are also available to the Board of Management for information, according to Standing Orders.
- 4.11 Where the lowest tender is not accepted, the member of staff will ensure that a note of the reason(s) is filed with a copy of the final order (or fax or letter).

5.0 CONTRACTS & SERVICE AGREEMENTS

- 5.1 We will procure certain services through contracts or service agreements for periods of one year or longer, depending on the requirements in each case.
- 5.2 Examples are contracts for the provision of various building maintenance services, landscape maintenance, IT support, provision of insurance cover, professional services such as auditors, bankers, solicitors etc. Contracts and Services will be performed by an approved supplier from ARK's approved contractors and suppliers list. The approved list of contractors and suppliers is reviewed annually by ARK. The completion of this review is part of the Organisational Checklist. The results of this review are available to the Board of Management on request.

- 5.3 Where we are carrying out, new, upgrading or major alteration works, we will seek advice from Local Authority in respect of Building Warrant and/or Planning Approvals.
- 5.4 Where only one or two tenders are returned the following course of action should be taken:
- The manager shall consider the undertaking of a full re-tendering exercise applying all processes and procedures referred to in the document, and advising the reporting manager / Director of the reason for this re-tendering.

Alternatively

- The manager may apply Section 4.8 above which states providing the reasons for any deviation, fully recording, adding to the appropriate file and ensure reference is made to the procedural change when providing the report and recommendation to the reporting manager / director.

6.0 SPECIALIST SUPPLIERS OR CONTRACTORS

- 6.1 Where there is only one specialist supplier or contractor for a particular item or service, we will seek to negotiate the most advantageous price and terms. Details of the discussions held and the reasons for the final recommendation will be fully recorded.
- 6.2 Authority to enter into contracts or agreements with specialist suppliers will be delegated by the Board of Management up to the limits specified in Appendix 2, Part C.

7.0 OTHER METHODS OF PROCUREMENT

- 7.1 We will continually review our methods of procurement, both as part of seeking to achieve best value for money and to comply with current statutory regulations, Scottish Government procurement guidance and 'good practice'.
- 7.2 We will use a 'balancing quality & price' selection process, and/or enter into negotiated contracts, partnering arrangements or framework agreements where, following professional advice, we consider that these will deliver 'best value', i.e. the best overall combination of high quality standards with a competitive price.
- 7.3 We will seek to develop mutually beneficial customer/supplier relationships with those contractors and suppliers with whom we wish to have medium to long-term arrangements, for the benefit of ARK.

8.0 EUROPEAN UNION PROCUREMENT RULES

- 8.1 All procurement undertaken by ARK will be carried out in accordance with European Union directives, in Scotland this means, the Procurement Scotland (Reform) Act 2014. The main provisions of the Act are as follows:
- the Public Contract Scotland web-site must be used to advertise all contracts over £50,000
 - community benefits, including jobs and training, should be used for large contracts (those over £4 million)
 - small and medium sized enterprises (SMEs) must be encouraged to bid and win works

- from 31 December 2016, all organisations with a total spend of £5m will be required to produce a procurement strategy.

8.2 Where the value of a proposed item, service or contract exceeds the current threshold set by the EU Commission under the relevant heading, we will ensure that we comply with all current EU rules and all current guidelines on calculating the costs, advertising the proposals, selecting and inviting candidates to tender, making the final selection and awarding the contract.

8.3 Where the value is below current EU thresholds we will still, as good practice, advertise appropriate contracts, e.g. maintenance contracts, in local and/or professional media.

9.0 SUSTAINABILITY

9.1 In making our procurement decisions we will seek to contribute to maintaining and improving the environment by;

- incorporating sustainability design elements into new-build or maintenance construction projects;
- purchasing recycled or environmentally friendly items when possible;
- supporting suppliers or contractors whose values and production processes are environmentally positive.

10.0 EQUALITY AND DIVERSITY

10.1 In all circumstances the principles of ARK's Equality and Diversity policy will apply.

11.0 RISK MANAGEMENT

11.1 In making procurement decisions, especially those of significant value requiring a tendering process, we will assess and seek to minimise any risks involved, in accordance with the guidance in our Risk Management Strategy and our current Risk Map.

12.0 IMPLEMENTATION AND REVIEW

12.1 The Chief Executive is responsible for ensuring that this policy, and the procedures that support it, are followed by all Board Members and members of staff involved in the procurement process.

12.2 The Director of Finance and Housing will ensure that this policy is reviewed at least every three years, and that any amendments required are submitted to the Finance Sub Committee for approval.

Approved by Senior Leadership Team: November 2016

Approved by the Board of Management: November 2016

Next review due by: August 2019

Complies with: Scottish Social Housing Charter, Standard 13 and SHR Regulation 3.

PROCUREMENT POLICY – LIST OF RELATED POLICIES & PROCEDURES

Policies

[Standing Orders incl. Board & Sub-Committee remits](#)

Risk Management Strategy
Signing and Witnessing of Documents
Partnering
Selection and Appointment of Consultants and Contractors
Development Statement

[Financial Regulations](#)

Insurances
Reactive Repairs, Cyclical & Planned Maintenance
Aids & Adaptations

Procedures

[Prices, Quotations & Tenders](#)

[Incurring and authorising expenditure](#)

Balancing Quality & Price
Purchasing office requirements
Development procedures
Petty cash & Visa card purchases – Head Office
Purchases from Projects imprest accounts
Aids & Adaptations
Service Charges
Reactive Repairs
Landscape Maintenance
Cyclical Painting
Planned Maintenance, Improvements & Major Repairs
Producing Maintenance Works Orders & Authorising Invoices

PART A - EXPENDITURE NOT INCLUDED IN THE CURRENT BUDGET**1. Revenue or Capital**

- Up to £50,000 per item and up to a cumulative total of £250,000 per annum
- Over £50,000 per item
- May be approved by the Chief Executive or Director of Finance*
- Approved by the Executive Committee or by the Chair/Depute Chair under delegated authority, depending on the urgency of the situation

2. Cost overruns on committed capital projects

- Up to 15% of project value or a maximum of £30,000
- Over 15% of project value or a maximum of £30,000
- May be approved by the Chief Executive or Director of Finance *
- Approved by Finance Committee or by the Executive Committee under delegated authority, depending on the urgency of the situation

PART B – LIMITS OFR PRICES, QUOTATIONS AND TENDERS (All excluding VAT)

- Up to £5,000
- From £5,001 to £15,000
- From £15,001 to £25,000
- From £25,001 to £250,000
- Above £250,000
- Minimum of 2 prices, where appropriate
- Minimum of 2 written quotations
- Minimum of 3 written quotations
- Minimum of 3 tenders invited
- Minimum of 4 tenders invited

▪ PART C – ONLY ONE SPECIALIST CONTRACTOR OR SUPPLIER (COSTS WITHIN BUDGET)

- Up to £5,000
- From £5,001 to £10,000
- Above £10,000
- May be approved by the relevant Director
- May be approved by the Chief Executive or Director
- Approved by the Board of Management

* In the absence of the Chief Executive and where the need for a decision is urgent, approval is delegated to the Director of Finance (failing whom any other member of the Senior Leadership Team) with retrospective approval required by the Chief Executive.