

Catalyst Housing Group  
PROCUREMENT POLICY

2007/8

“It is in the best interests of any housing association to ensure that its procurement activities are properly undertaken, achieve best value, and take place in a clear and transparent manner. There is a moral obligation, underlined by recent Government policy, that procurement activities aid the achievement of sustainable communities, and this is reinforced by the Housing Corporation with specific requirements in the Regulatory Code.”

**Assessing Procurement:** *A self assessment framework  
for Boards of Housing Associations*

*Housing Corporation 09/07/2003*

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## **1. INTRODUCTION**

### **1.1. Purpose of the Procurement Policy**

This document is intended :

- to set a best practice framework within which procurement will be conducted;
- to establish the relationships between this framework, the Housing Corporation's Procurement Strategy and the expectations which it signals, the commitment to effective procurement and value for money expressed in the Group Procurement Strategy, and the strong tradition of the Companies in the group providing individual procurement solutions tailored to the needs of their own customers; and
- to connect these high level considerations to the practical sourcing of supplies works and services.

It is structured to identify the key issues to be considered at each stage of the procurement process

### **1.2. Policy context**

Effective procurement is key to the delivery of many of Catalyst's strategic objectives including:

- the Group Efficiency Strategy;
- the Development Strategy;
- the Equalities and Diversity Policy;
- the Sustainability Policy; and
- the Service Improvement Policy

### **1.3. What do we mean by procurement?**

Many of the day to day activities of the Group involve procurement in some form, so arriving at a single definition presents some difficulty. The Gershon Definition, subsequently adopted by Byatt, seems to offer the most inclusive approach:

“ ...acquisition from third parties (of) goods, services and construction projects. This process spans the whole life cycle from the initial concept and definition of business needs through to the end of the useful life of an asset or end of a services contract”.

This definition captures the full range of procurements from high risk strategic projects to small day to day purchases. Building time consuming procedures into low value, one off purchases is not appropriate, but it is important to remember that a significant proportion of spending falls into this category. Therefore even for low level purchasing where formal competition is not required, staff must be conscious of the principles set out in this policy and

must give appropriate and proportionate consideration to obtaining and evidencing value for money.

## **1.4. Influences on the policy**

### **a) The CHG procurement strategy**

The group has adopted a procurement strategy which sets out a vision of robust, modern procurement practice as a means to maximize efficiency across the organization. The present document is intended to translate that vision into a step by step consideration of the challenges, and to provide practical guidance on how they may best be met.

### **a) National Policy**

In August 2005 the Housing Corporation published a Procurement Strategy for the Supply of Affordable Homes. The first in a series of strategies dealing with particular areas of procurement, it sets an “overall challenge....to achieve improvements in the quality of new homes and neighbourhoods whilst also increasing the rate of supply”. The Corporation proposes to use existing and newly developed tools to measure and analyse the efficiency of procurement practices and the quality of outcomes, and to employ its investment and regulatory roles as levers to ensure delivery by both RSLs and unregistered bodies.

Subsequent strategies will cover procurement of capital works, management and maintenance, and commodity goods.

This breakdown reflects the Government’s determination to realise efficiencies in these areas, and CHG’s response should be guided by the recommendations for “world class” procurement practices set out in the DCLG’s National Procurement Strategy for Local Authorities and their partners in other sectors:

- Delivering significantly better quality public services that meet the needs of all local citizens through sustainable partnerships they have forged with a range of public, private, social enterprise and voluntary sector organisations
- Confidently operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- Achieving continuous improvement from all categories of procurement expenditure, by putting in place an appropriate procurement strategy and the necessary resources for implementation
- Obtaining greater value for money by collaborating with partners at local, regional, national and European levels
- Realising economic, social and environmental benefits for their communities through their procurement activities
- Demonstrating improvement in equality and opportunity for businesses, service users and staff

- Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services.

## **b) The European Dimension**

In September 2004, it became clear that RSLs were to be regarded as Contracting Authorities for the purposes of the European Procurement Directives.

These regulations, designed to open up public sector markets to providers from across the European Union, introduced requirements as to transparency and non-discrimination, and a detailed regime of practical procedures to be followed in large scale procurements. The consequences of non-compliance can be harsh. The need to ensure a sound fit between Catalyst's approach and the demands of the directives is an important factor in shaping strategy.

The procurement policy is therefore supported by guidance on the regulations, revised procedures, staff training, and a central source of advice for practitioners.

## **c) The Efficiency Agenda**

The Group Efficiency Strategy notes that:

Delivering improved services will require the use of efficient modern procurement models, shaped by the group procurement strategy which emphasises the use of partnered arrangements, frameworks and collaborative working. Whether an individual procurement flows from a redesign or simply from the routine need to reprovide a service, the value for money principles in the procurement strategy and its underlying procedures will be consistently applied, supported by training and published guidance, and with the support of a specialist Group Procurement Manager.

The Procurement Strategy recognises that efficiencies embrace both reductions in cost, and improvements in services. It is not predicated on procuring at the lowest price, but sets out to establish a cost conscious culture where decisions about quality are informed by an understanding of cost.

## **d) Probity**

A Housing Corporation guidance for Board Members defines probity in procurement as:

"The concept of fairness, transparency, and accountability, which ensures that an organisation obtains (and can be seen to obtain) the maximum benefits for its declared objectives, operating within the law and within the rules of its legal constitution. One of the key issues about probity is the avoidance of fraud and corruption. Every housing association needs to give serious consideration to the systems it employs with the aim of avoiding fraud."

The procurement policy therefore needs to provide a framework in which fairness, transparency and accountability are explicit.

## **2. PRE-CONTRACT CONSIDERATIONS**

### **2.1. Customer engagement**

All major procurement projects will proceed from consultation with customers, and contract specifications will underline the need for responsiveness to customer concerns- this may involve for example requiring service providers to attend resident meetings; conducting workshops; basing measures on the customer experience, and / or a range of other steps to engage with end users.

Panels for the selection and appointment of contractors for strategic services and works should also include residents, for whom appropriate training will be given.

### **2.2. Decisions on Sourcing**

All procurement, at whatever value, must be the product of the careful weighing up of a variety of factors to ensure:

- Value for Money, recognising that whole life costs may be more important than a cheap tender price, involving an assessment of the ongoing revenue/resource costs as well as initial capital investment. The benefit of using a joint procurement approach, or the leverage of consortia (Procurement for Housing, Buy 4 London or others) should always be considered.
- Manageable risk, shared where appropriate with partners
- Compliant procedures, making best use of the procedures provided under public procurement legislation, including ,where appropriate, framework arrangements and long term agreements recognised by the Commonhold and Leasehold Reform Act 2002
- Recognition of the added value that small firms, voluntary and community sector providers, social enterprises and ethnic minority businesses might bring.

Companies' sourcing decisions will explore all the potential procurement options. There will be a presumption in favour of competition, and any procurement, whether proceeding from a competitive process or not, must be supported by clear evidence of a rigorous value for money assessment

Option appraisals and similar strategic reviews should always include a robust and challenging examination of possible alternative service delivery models, including for example, joint or collaborative procurement between group companies or with other organisations, development of frameworks of contractors, and long term partnered arrangements. The decision reached, and the reasons, will need to be clearly recorded and evidenced.

### **2.3. Competition Policy:**

The following will be considered essential elements of competition:

- performance standards and monitoring strategies will be developed
- cost information will be properly identified and collected
- innovation will be encouraged
- social values and Catalyst's policy objectives will be protected
- probity, accountability and competitive neutrality will be ensured
- the responsibilities and accountabilities of all parties must be explicit

Strategically significant requirements are those with high value and high risk. For these, a partnering approach underpinned by a robust competitive process is likely to be appropriate. A sound business case, proper planning and resourcing, effective project and risk management, a robust team-based training plan and thorough customer engagement are critical to successful delivery.

For low-risk requirements, the key is to leverage buying power and minimise the cost of the procurement process. This may include letting framework agreements, and working together with other organisations in consortia. Small firms, voluntary and community sector providers, social enterprises and ethnic minority businesses might bring significant added value in this area either as direct suppliers or as or as members of the supply chain in a partnering arrangement.

Competition should always be designed to ensure the best value for money, having regard to the optimum combination of whole life costs and benefits to meet the customer's requirement rather than lowest price. The potential for shared savings over the period of the contract should be considered wherever possible.

Appropriate and effective contract management arrangements must be established and resourced before work begins under any contract.

### **2.4. Community Benefits**

The Company's spending can be a powerful driver for development in the local community. Contractors should be required during the procurement process to demonstrate their track record in achieving value for money through effective use of their supply chain – including use of small and medium-sized enterprises. This should also be examined as part of the ongoing contract management. Contracts should require that prime contractors pay subcontractors on time and that when paying progress payments to prime contractors the payments flow down through the supply chain.

We will publish guidance on the website for suppliers on how to do business with Catalyst, together with details of forthcoming bidding opportunities and contact details for each contract. The choice of publications in which to

advertise should encourage greater diversity and competition. Provision of an information and publicity service, including use of printed material, posters, and development of the website is an effective way of promoting a competitive marketplace inclusive of small firms, ethnic minority businesses, social enterprises and voluntary and community organisations.

## **2.5. Project and Risk Management**

Catalyst Housing Group will adopt a structured approach to project and risk management. Each project will be subject to a project plan identifying responsible officers, and establishing a timetable for completion. The project manager will be responsible for delivering the project on time and in accordance with this policy.

A risk assessment will be prepared by the project management group identifying potential risks. Risk management techniques will be applied to reduce procurement risks to acceptable levels, and contract specifications will be designed to ensure that at the level of service delivery, risk is borne by the party best placed to manage it. In a partnered relationship, the distribution of risk will normally be decided by negotiation between the partners.

## **2.6. Market dialogue**

Insofar as is consistent with transparency and fairness of competition, contract specifications and packaging should be informed by dialogue with market providers. This should include establishing that the market can offer the required deliverables within the proposed budget, and that services are parcelled in such a way as to optimise value for money without unnecessarily restricting competition.

Where the contract is to replace an existing provider, the performance of the incumbent should be examined, and discussions held with service managers to build improved management tools and performance standards into the new arrangement.

### **3. THE CONTRACT**

#### **3.1 Performance management**

All contracts and customer service agreements must be clear about the standards to be delivered. In most cases this will mean setting measures:

- To ensure that performance meets the standards expected by customers and expressed in the specification
- To track year on year improvement
- To compare performance both internally and with other organisations.

A small number of group-wide performance measures will be developed to apply across all contracts for similar areas of work, so that meaningful value for money comparisons can be made between contracts. It is important here to distinguish between collecting standardised data and providing undifferentiated services. Measures are seen in this policy as a tool to inform decisions at delivery level.

As well as these universal indicators, local measures may be prescribed or, in a partnered relationship, negotiated and agreed post contract between the parties. Where relevant, local indicators may refer to existing sets of indicators including for example the Construction Best Practice Programme's KPIs for construction projects which are being used to evaluate the benefits of partnering in construction. Note though that in accordance with the group's commitment to using Systems Thinking as the main strategy for service improvement, measures will primarily focus on the customer's experience of the service, rather than external views of what is important.

Incentives for continuous improvement should be structured into contracts, including where appropriate agreeing to share the benefits of increased efficiency, or linking extension of the contract term to performance.

#### **3.2. Equality and Diversity**

The Race Relations Act 1976 as amended by the Race Relations (Amendment) Act 2000 establishes a legal duty to have due regard to the need to:

- eliminate unlawful discrimination
- promote equality of opportunity and good relations between people of different racial groups.

We recognise that our role as an equal opportunities organisation extends beyond our roles as employer and service provider. The Group plays a part in the local economy and community, and we recognise our responsibility to encourage equality of opportunity within other organisations with whom we have dealings.

We expect all contractors, consultants and other external partners to provide a fair and equal service to the Group's customers. We are committed to

taking action against contractors and consultants who discriminate against, or harass, any of our staff or customers.

All organisations and individuals acting for, or working on behalf of the Group must adhere to its Equality and Diversity Policy. Failure to do so may result in the relationship being terminated.

The Commission for Racial Equality has produced guides for both clients and contractors explaining what this means in practice. Catalyst Housing Group endorses the guidance and will follow it to the fullest practicable extent in all procurement exercises. The guide suggests how clients should ensure their general procurement policies and practices are in line with legal requirements, and what they should do at each stage of the contracting process to promote equality of opportunity for their own staff and local businesses regardless of the ethnicity of ownership and ensure services are designed and delivered in a way that meets the needs of all users. Contract conditions and specifications must demand high standards of contractors in regard to equalities. Compliance with statutory requirements must be tested during tendering, but evaluation should also call for detailed statements on how equalities issues are addressed, not just in terms of staffing, but in relation to the delivery of services to a diverse community of users. We will expect to see not just a statement of policy, but evidence of how the policy is implemented in practice.

Whenever reasonably possible we will use our position as a purchaser of goods and services to support the local economy and to create training and employment opportunities for our residents. We will endeavour as much as reasonably possible to ensure that all of our residents in the relevant locality have equal access to such opportunities.

The Group has adopted Constructionline as our source of approved contractors. We are committed to working with Constructionline to ensure as far as possible that it is accessible to black and female contractors.

We also undertake to provide the fullest possible support for BME businesses and SMEs in accessing contract opportunities, and to regularly consult with minority service users to ensure their needs are recognised.

### **3.3. Partnering**

Catalyst Housing Group supports the development of partnered relationships where possible. Where it is proposed to enter into a traditional form of contract, the project plan must set out why partnering is not felt to be appropriate.

Partnering means the creation of sustainable, collaborative relationships with suppliers in the public, private, social enterprise and voluntary sectors to deliver services, carry out major projects or acquire supplies and equipment. Benefits of the partnering approach, identified in a series of government sponsored reports, include:

- better designed solutions
- integration of services for customers

- access to new and scarce skills
- economies of scale and scope
- investment
- community benefits (including jobs and local economic effects).

Where partnering is the appropriate route, a number of service delivery models may be considered. The preferred model should be identified in a business case before procurement commences. The contract itself should provide for:

- Financial openness, underpinned by regular value for money audits by an independent advisor
- Shared risk and benefit
- Early warning of problems, and dispute resolution procedures designed to minimise conflict
- Flexibility over tasks and targets to allow each partner to use its own expertise to deliver continuous improvement
- Supply chain integration
- A regular core group forum where contract issues can be discussed at a strategic level
- Development of a longer term relationship based on continued high performance, as measured by customer satisfaction.

New contracts may be let on a partnered basis, or elements of partnering may be introduced into existing contracts by an agreed variation where the contract terms allow. The Contract Procedure Rules will apply, and the creation of a partnership may not be used to avoid or distort competition.

### **3.4. Framework Agreements**

When appropriate, Catalyst Housing Group will make use of the provision on framework agreements in the Public Contracts Regulations 2006. This may take the form either of:

- dedicated frameworks providing pools of resource for the group or for group companies, or
- membership of collaborative procurement networks including Buy4London and Procurement for Housing designed to establish framework contracts for the benefit of all members

The EU directive defines a framework as an agreement "the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and quantity". In other words, a general agreement with a number of providers, from which call-offs can be made throughout the term. Taken together with the provisions of the Commonhold and Leasehold Reform Act 2002, which allow for leaseholder contributions to be recovered in relation to call-offs under long term agreements (subject to a duly conducted consultation at the beginning of the term) use of frameworks has the potential to significantly reduce the time and

cost involved in assembling consultant/constructor teams to undertake partnered projects.

Such streamlining reflects the aspirations of Egan and the Housing Corporation's Procurement Strategy, while value for money will be ensured either by the robust application of the original price and quality criteria to each call-off, or by conducting mini competitions in relation to individual project commissions, or a combination of these approaches. All framework agreements entered into by Companies in Catalyst Housing Group must contain mechanisms to be applied to pricing particular requirements during the period of the framework.

### **3.5. Sustainability**

Catalyst Housing Group has made a commitment to ensuring that all policies and actions at every level are designed to promote sustainability.

This commitment applies across all functions of the Group, including the procurement of all contractors, goods and services. It follows that environmental requirements and economic sustainability must be taken into account at the earliest stages when designing specifications and setting evaluation criteria.

Sustainability in design (including buildings; infrastructure; urban green spaces; products) and procurement should be addressed in risk assessments. For significant development or improvement-related investment decisions a whole life cost-benefit analysis will be carried out as appropriate.

## **4. CONTRACTOR SELECTION**

### **4.1 Probity**

Selection of contractors will follow Catalyst Housing Group's Contract Procedure Rules which set standards of competition based on contract value.

Where contracts are subject to EU procurement legislation, this will be complied with.

The competitive process will be carried out transparently. All information given to any bidder will be shared with all other potential bidders. Decisions will be made by an appropriate panel where required by the procedure rules, and will be based on predetermined criteria. Decisions will be recorded contemporaneously, and bidders informed promptly. Where EU Regulations apply, contracts will not be concluded until an appropriate period for challenge has elapsed.

Unsuccessful bidders will be given an opportunity for detailed debriefing by a panel member

### **4.2. Criteria**

Except in the most simple cases, evaluation will be based on the most economically advantageous tender. Detailed criteria will be based on the Company's strategic priorities and the expressed expectations of customers. For all significant procurements customers will be involved in the development of the detailed criteria and in setting the relevant weightings

### **4.3. Evaluation of tenders**

Tenders will be impartially evaluated by a suitably experienced officer panel. Evaluation will wherever practical include face to face interviews with possible providers, visits to sites, offices or depots, references from other clients and meetings between residents and other landlords' residents with experience of the contractor. Where the procurement timescale is lengthy, references may be updated at any stage.

For any contract likely to have a significant direct impact on end users, resident representatives will be invited to join the evaluation panel. If necessary, briefing and/or training sessions will be provided for residents to enable them to play a meaningful part in decision making.

The evaluation report, whether prepared by officers or consultants, will be justifiable, defensible, fair and equitable. It will contain comparative information between competing providers, and compare their offers against the stated requirements. It will be based on demonstrable evidence, and be free from hearsay, unsupported opinion and negative bias.

## **5. PROCUREMENT PERFORMANCE**

### **5.1 Best Practice**

An Asset Manager's Forum will be formed across the Group to share best practice, take forward training programmes, exploit opportunities for shared provision, agree standard KPIs, and contribute to the continuous improvement of procurement.

### **5.2. Policy Review**

This policy will be reviewed at least yearly, or sooner if there is significant change of law, regulation, or the company's objectives.