


Procurement

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Contents

Section		Page
1.0	Introduction	1
2.0	Policy Objectives	1
3.0	Equality & Diversity Statement	2
4.0	Legislative & Regulatory Context	2
5.0	Links to other Policies & Scottish Social Housing Charter	2
6.0	Management Responsibilities	3
7.0	Application of Policy	4 - 8
8.0	Exclusions	9
9.0	Procurement Routes & Framework Agreements	9
10.0	Review	9

Appendix 1: Internal Thresholds as per Financial Regulations

Appendix 2: Procurement Thresholds

1.0 Introduction

- 1.1 Procurement is a high value activity for the Association that has a critical impact on its performance and success. The organisation can spend over £2 million per annum on revenue goods, works and services and a further £2 million on capital investment. For most of the past 10 years, the Association has also had a development programme, currently spending c. £6 million over a period of 3 years on a 48 unit development.
- 1.2 The Association has generally been following the spirit and process of the new Procurement Regulations and using Public Contracts Scotland (PCS) website for all contracts of a value greater than £50,000. Obtaining best value through its procurement processes has been, and continues to be, of paramount importance to the Association and its customers.
- 1.3 This policy outlines the principles which will be used by the Association in the procurement of works, goods and services. As a body governed by public law, the Association must comply with the [Procurement Reform \(Scotland\) Act 2014](#) and [Public Contracts \(Scotland\) Regulations 2015](#).

2.0 Policy Objectives

- 2.1 This document seeks to ensure that procurement planning reflects the Association's aims and objectives and provides an opportunity to co-ordinate current procurement processes for all goods, works and services bought in by the Association, not just Asset Management activities as is required under Procurement Rules.
- 2.2 The document seeks to ensure that best value is being obtained consistently when goods, services and works are purchased, taking account of wider considerations than lowest cost. Where required to do so, the document will show how the Association can comply with obligations laid down by EU Procurement Rules and subordinate legislation and regulation, in particular the Procurement Reform (Scotland) Act, in carrying out its procurement activities and contributing to the achievement of the [National Outcomes](#) set out by the Scottish Government.

3.0 Equality & Diversity Statement

- 3.1 The Association is intent on ensuring people or communities do not face discrimination or social exclusion due to any of the following protected characteristics: age; disability; sex; marriage & civil partnership; race; religion or belief; sexual orientation; gender reassignment; pregnancy & maternity.
- 3.2 This policy complies with the Association's Equality & Diversity policy.
- 3.3 The Association will regularly review this policy for equal opportunities implications and take the necessary action to address any inequalities that result from the implementation of the policy.

4.0 Legislative & Regulatory Context

- 4.1 As a public body governed by public law, in implementing this policy the Association will seek compliance with the legal framework which governs public procurement, and in particular the following measures:

- [European Court of Justice](#) and National Case Law
- [Public Contracts \(Scotland\) Regulations 2012](#)
- [The Procurement Reform \(Scotland\) Act 2014](#)
- [Public Contracts \(Scotland\) Regulations 2015](#)
- [Procurement \(Scotland\) Regulations 2016](#)
- [Statutory Guidance under the Procurement Reform \(Scotland\) Act 2014](#)
- [Construction Procurement Handbook](#)

5.0 Links to Other Policies and the Scottish Social Housing Charter

- 5.1 This policy seeks to comply with the following policies and strategy documents:
- Business Plan - Strategic Objectives: Asset Management and Development; Governance and Financial Viability; and Customer Service and Community Regeneration.
 - Risk Management Strategy: this policy complements the Strategy by addressing and minimising risks arising from fraud, dishonesty or bribery involving competitor organisations or contractors/consultants performance or charges, and also contributes to protecting the Association's good reputation.

- Entitlements, Payments and Benefits policy.
- Governance Framework (Section 3: Financial Regulations, Appendix 6: Procurement of Goods and Services).
- Anti-Fraud, Bribery and Money Laundering policy.
- Whistleblowing policy.

5.2 This policy statement supports Glen Oaks Housing Association in achieving the following relevant Charter Outcomes and Standards:

Indicator 13: Value for Money

Social landlords manage all aspects of their business so that:

Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

This standard covers the efficient and effective management of services. It includes minimising the time houses are empty; managing arrears and all resources effectively; controlling costs; getting value out of contracts; and giving better value for money by increasing the quality of services with minimum extra costs to tenants, owner and other customers.

6.0 Management Responsibilities

6.1 It is the overall responsibility of the Chief Executive and Board to ensure that the Association complies with all statutory duties placed on it by Procurement Legislation.

6.2 The Association’s Finance Director and Technical Director’s duties and responsibilities, whose roles include a high degree of procurement, include:

- Implementation and the continuing review of this policy;
- Ensuring that all staff who have a responsibility in implementing this policy are kept fully informed of developments in legislation and good practices relating to the management of procurement;
- Ensuring competent staff are employed in delivering the policy in compliance with legislation, regulation and best practice; and
- Ensuring stakeholder engagement in procurement processes, as appropriate.

7.0 Application of Policy

7.1 The Procurement Reform (Scotland) Act 2014 (the Act) has now been enacted into law through three separate sets of regulation:

- Public Contracts (Scotland) Regulations 2015
- Procurement (Scotland) Regulations 2016
- Statutory Guidance under the Procurement Reform (Scotland) Act 2014

7.2 The Act enshrines in Scots Law the following key principles:

- To treat contractors equally and without discrimination;
- To act in a transparent and proportionate manner; and
- To comply with the Sustainable Procurement Duty.

7.3 The Act covers contracts for services, suppliers and works over certain thresholds, reviewed annually. Thresholds for the current financial year are contained in Appendix 1. Statutory Guidance under the Act published in March 2016 places duties on the Association to ensure it is in compliance with the following:

- Procurement Strategy;
- Annual Procurement Reports;
- Sustainable Procurement Duty;
- Community Benefit Requirements in Major Contracts; and
- Publication of Contract Notices and Award Notices on Public Contracts Scotland (PCS) website.

7.4 This is explained in more detail below:

7.4.1 Procurement Strategy

(i) Whilst the requirement to produce Procurement Strategies applies only to bodies whose value of contracts covered under the Act is expected to be £5 million (excluding VAT) or more in a single financial year, the Association will, from time to time, reach this amount. In these circumstances, the Association will prepare a Procurement Strategy for the Board's approval in March of the financial year concerned.

- (ii) The Strategy is intended to demonstrate that contracts awarded by the Association deliver value for money and comply with the Sustainable Procurement Duty (see 7.4.3). The Strategy should also show how the Association's procurement processes contribute to the achievement of its aims and objectives. In preparing and reviewing the document, it should include an explanation of how it took account of the following items:
- Community Benefits;
 - Engagement with Stakeholders;
 - Minimum and/or Living Wage;
 - Health & Safety;
 - Fairly/ethically traded goods;
 - Improving the health and wellbeing of the community; and
 - Ensuring that suppliers are paid within 30 days.
- (iii) The Procurement Strategy will be prepared for the attention and approval of the Board at its March meeting. Upon approval, the Strategy will be published online, together with a list of all current contracts covered by the Act.

7.4.2 Annual Procurement Reports

- (i) The Association will produce an Annual Procurement Report at the end of each financial year where a Procurement Strategy has been produced, as is mandatory. The Report will cover the following:
- A summary of the previous year's contracts covered by the Act;
 - A review of how the Association has complied with its Procurement Strategy and how it will ensure future compliance;
 - A summary of the Community Benefit requirements (see 7.4.4) is included in its contracts and any steps taken to support "supported businesses"; and
 - Contracts covered by the Act in the next two years.

7.4.3 Sustainable Procurement Duty

- (i) The Sustainable Procurement Duty requires the Association to consider the social, environmental and economic wellbeing of the area in which it operates when carrying out procurement exercises, with a particular focus on reducing inequality.

- (ii) It also requires the Association to consider how it can involve Small and Medium-sized Enterprises (SMEs - businesses with less than 250 employees), third sector bodies (which includes community groups, voluntary organisations, charities, social enterprises, co-operatives and individual volunteers that exist wholly or mainly to provide benefits for society or the environment) and supported businesses in the process and how it can promote innovation. In addition, there is a duty to adopt a sustainable approach to waste-handling and recycling.
- (iii) The Association will utilise the following four key processes/tools provided by the Scottish Government in meeting its obligations under the [Sustainable Procurement Duty](#). These are as follows:
- Scottish Public Procurement Prioritisation Tool;
 - Sustainability Test;
 - Life Cycle Mapping; and
 - Flexible Framework Assessment Tool.

7.4.4 Community Benefit Requirements in Major Contracts

- (i) Where the contract value exceeds £4 million (excluding VAT), there is a mandatory requirement to include Community Benefit Clauses to promote training and employment opportunities for local residents; educational initiatives with local schools and colleges; and promote sub-contracting opportunities with main contractors for local SMEs. This is likely to apply to any sizeable development contracts. In the event that no Community Benefit Clauses are included in contracts of this value, reasons have to be given.
- (ii) In practice, the Association will seek to include Community Benefit Clauses within works contracts below the £4 million threshold.

7.4.5 Publication of Contract Notices and Award Notices on Public Contracts Scotland website

- (i) The Association, as is already regular practice, will advertise and award all tenders for contracts covered by the Act on the Public Contracts Scotland (PCS) website. In selecting contractors at the pre-qualification stage for procurement exercises, the Association will be required to use the Single Procurement Document (SPD) for all two-stage procurement exercises above the Scottish Procurement Threshold levels (see Appendix 2).

- (ii) All contracts covered by the Act will have to be awarded on the basis of the most economically advantageous tender (MEAT), which as is already common practice within the Association, is the award of contracts on a Quality:Price basis, generally at a ratio of 60:40 but can be reviewed as each procurement dictates.
- (iii) For minor works, if the contract sum is likely to be below £50,000, invite a minimum of 3 and a maximum of 6 contractors to tender for a contract on a price only basis. In general, dependent on value, the Association will adopt the following procurement routes as appropriate:

Estimated Value of Contract	Procedure to be followed
Below £10,000 works and services/supplies	Work may be authorised within individual officer limits and contractor/supplier may be directly engaged without any form of public procurement exercise.
Between £10,000 and £50,000 works and services/supplies	<ol style="list-style-type: none"> 1. Minimum of three competitive quotations to be invited via Quick Quote (QQ). Lowest priced contractor/supplier to be appointed. 2. Use of existing procurement framework such as Crown Commercial, Scottish Procurement Alliance (SPA), Scotland Excel, etc.
Between £50,000 and £2 million works	<ol style="list-style-type: none"> 1. Minimum of three competitive quotations to be invited via Quick Quote (QQ). Lowest priced contractor/supplier to be appointed. 2. Best Practice tender process to be followed with at least three competitive tenders invited via Scottish Contract Notice via PCS tendering procedure. Contractor evaluated as being the Most Economically Advantageous Tender (MEAT) to be appointed.

	3. Use of existing procurement framework such as Crown Commercial, Scottish Procurement Alliance (SPA), Scotland Excel, etc.
Between £2 million and £4,447,447 works and Between £50,000 and £177,897 services/supplies	1. Formal Scottish tender process to be followed with at least three/five competitive tenders invited via Scottish Regulated Contract Notice via PCS full tendering procedure. Contractor/supplier evaluated as being the Most Economically Advantageous Tender (MEAT) to be appointed. 2. Use of existing procurement framework such as Crown Commercial, Scottish Procurement Alliance (SPA), Scotland Excel, etc.
Over £4,447,447 works and Over £177,897 services/supplies	1. Formal Scottish tender process to be followed with at least three/five competitive tenders invited via Scottish Regulated Contract Notice via PCS full tendering procedure. Contractor/supplier evaluated as being the Most Economically Advantageous Tender (MEAT) to be appointed. 2. Use of existing procurement framework such as Crown Commercial, Scottish Procurement Alliance (SPA), Scotland Excel, etc.

(iv) In terms of cost analysis, the Association will, for regulated exercises, require to take account of whole life costing of goods, services and works, and not just the initial purchase price. The Association will also ensure sustainable pricing in contract tenders and will be able to include clauses in tenders which disqualify tender prices thought to be unsustainably low (see [Construction Procurement Handbook - Chapter 8](#)).

(v) All tender communication will be handled electronically.

8.0 Exclusions

- 8.1 It should be noted that the procurement by acquisition or rental of land, existing buildings or other immovable property or of any estate, right, servitude or other interest in or over such land, buildings or property is not covered by the Procurement Rules, as per 11(1) of the [Public Contracts \(Scotland\) Regulations 2015](#). In these circumstances, it may be appropriate to issue a Voluntary Ex Ante Transparency (VEAT) Notice via Public Contracts Scotland prior to the conclusion of the acquisition in order to minimise the risk of a later procurement challenge from a third party.
- 8.2 Use of a VEAT Notice would be subject to prior Board approval and would only be used where there is no alternative procurement route available. This would apply, for example, for Design & Build development projects were the Association has been approached by a developer to work in partnership on land not owned by the Association.
- 8.3 In circumstances where works have already been procured through an open and transparent exercise and the scope of works has been increased, it is appropriate to issue a Modification Notice under Regulation 72 of the [Public Contracts \(Scotland\) Regulations 2015](#) if the following conditions are met:

9.0 Procurement Routes & Framework Agreements

- 9.1 In assessing the most appropriate procurement route, the Association will utilise the [Scottish Procurement Journey](#) provided by the Scottish Government. This provides guidance on procurement exercises and incorporates template documents to assist buyers such as the Association.
- 9.2 The Association will also consider using existing Framework Agreements where appropriate, whether national like the Scottish Procurement Alliance or in collaboration with other RSLs, for contractor or consultant appointments, assuming this satisfies all the criteria set out in section 7, which may assist it in accelerating the procurement process providing pre-qualified parties to tender for contracts.

10.0 Review

- 10.1 This policy will be reviewed every 3 years but can be brought forward to reflect any changes in Regulations or Procurement Thresholds or any recommendations following Internal Audit reviews or similar.

Appendix 1

Governance Framework, Section 3, Financial Regulations
Appendix 6: Procurement of Goods and Services

Appendix 2

Summary of Thresholds from 1 January 2022 (net of VAT)

The Public Contracts (Scotland) Regulations 2015:

	Supplies/Services	Works
Bodies listed in Schedule 1	£115,633	£4,447,447
All other bodies	£177,897	£4,447,447

<https://www.gov.scot/publications/procurement-thresholds-and-vat-inclusion-in-estimated-contract-value-sppn-8-2021/>