



FINANCE
PROCUREMENT POLICY
March 2016 (Updated Sept 17)
March 2019

Policy on :	Procurement
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Compliant with Charter :	13: Value for Money 14 and 15: Rents and Service Charges
Compliant with New Regulatory Framework:	<p>5. Regulatory Standards of Governance and Financial Management</p> <p>Standard 2: The RSL is open and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.</p> <p>Standard 3: The RSL manages its resources to ensure its financial well-being and economic effectiveness.</p> <p>Standard 5 : The RSL conducts its affairs with honesty and integrity.</p>
Compliant with Tenant Participation Strategy:	N/A
Compliant with Equal Opportunities:	YES
Compliant with Budget/Business Plan :	YES : Viability

Date of Approval :	March 2016
Date for review :	March 19

Responsible Officer :	Finance Manager, Lorna Colville
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1. What is Procurement?

Procurement is an integral part of resource, financial and budgetary management.

Procurement is the process of acquiring goods, services and works from third parties that are procured at the best possible cost to meet the needs of the Association in terms of quality and quantity and time. The Association intends to promote fair and open competition for our business while minimising exposure to fraud and collusion.

2. What does this Procurement Policy do?

This Policy sets out the principles that should be applied to all procurement by the Association, in particular:

- How and when we chose a particular procurement route
- Roles and responsibilities of staff and committee

It is supported by the Procurement Procedure Manual.

The key elements of this policy reflect the essential requirements for internal controls and rigorous processes. There requires to be fundamentally a recognition and implementation of good governance and accountability by the staff and Management Committee of the Association, as they apply to procurement activities within the Association.

Whilst there are pre-determined timescales and processes expressed when procuring above EU thresholds & Procurement Reform (Scotland) Act 2014 threshold, the association will also promote transparency, fairness and competition for procurement below these thresholds, where practical to do so.

Competition avoids any suggestion of favouritism and the encouragement of monopoly: it also helps to promote efficiency and economy.

3. Policy Aim

This policy aims to ensure value for money (VFM) in the procurement of services, goods and works by the Association. We will aim to ensure that the services, goods and works we procure are, where practical, sustainable, of high quality and best meet the needs of the Association, its key customers and the community as a whole.

4. Policy Objective

4.1 The key policy objectives are:

- ❖ To ensure Best Value for Money
 - To make purchases and to award contracts that achieve best value for money (VFM). Best VFM is the optimum combination costs and quality (or fit for purpose) to meet the Association's requirements. Depending on the nature of the contract, the cost may include implementation costs, ongoing operating costs and end of life disposal.
- ❖ To promote throughout the procurement process
 - openness,
 - equality, diversity and non-discrimination
 - competition
 - transparency
 - proportionality
- ❖ To promote and encourage collaborative/partnership working with others e.g. FLAIR, Renfrewshire Council etc., where sensible to do so. The objectives being to better utilise procurement skills and resources and gain greater purchase leverage.
- ❖ To ensure, Separation of Duties to ensure more than one person is required to complete the purchase.
- ❖ To ensure procurement decisions are aligned against business objectives.

5. Procurement Principles

5.1 Best Value for money

When procuring goods and services we must ensure we obtain value for money. To do this we must choose the bid that offers the "optimum combination of cost and quality". To do this we will award contracts on the basis of Most Economically Advantageous Tender (MEAT), evaluating both the price and quality of the tenders submitted. See the Procurement Procedure Manual.

5.2 Competitive Process

Goods, services and works should be acquired by effective competition, including adequate publication of contract opportunity, unless there are convincing and justifiable reasons to the contrary.

Competition avoids any suggestion of favouritism and the encouragement of monopoly: it also helps to promote efficiency and economy.

Subject to any relevant legal obligations, for example under the EU procurement rules or the Procurement Reform (Scotland) Act 2014, the form of competition should be appropriate to the value and complexity of the goods, services or works to be acquired. The Association objective is to keep bidding costs to the minimum necessary for effective competition and should remove barriers to participation by, for example, small firms, the self-employed and the third sector, without discriminating against others. Consistent with legal obligations, during competition any minimum standards required should be proportionate to the contract in question.

We have set out clear guidelines and methods by which the Association will procure services, goods and works. See the Procurement Procedure Manual.

We have established the process for selection and award criteria for purchase of services, goods and works by the association. See the Procurement Procedure Manual.

5.3 Access to grants and conditions attached to the grants.

Where considered value for money to do so, the association will, where possible, apply for grants to assist with the payment of expenditure, for us or others, such as owners participating in common works.

These grants, such as EcoFirst, may restrict our ability to ensure open competition.

Where the grants available fund a significant proportion of the costs and it is considered in the best interest of our customer and the most efficient use of our resources, the Management Committee can approve the restriction to a particular contractor/supplier, if required to obtain the grant.

5.4 Appropriate forms of competition

Subject to legal requirements and restrictions noted in this document, the Budget Holder has the authority to agree the most appropriate form of competition for each purchase. This will be dependent on what the objective of the purchase is. e.g. costs certainty, high quality, balancing price and quality, high standards of customer care, high specification's standards etc.

The needs of the Association (in particular value for money) and our customers will be the primary consideration in the choice of procurement method.

5.4.1 Use of Named Contractors/Suppliers Lists

- The Association will have named suppliers/contractors lists for easy of referral for day to day repairs & office supplies which can be used for purchases below £10,000, these lists must be reviewed every 2 years. See the Procurement Procedure Manual.

- These lists must be reviewed every 2 years. As part of this review we will advertised on PSHA website and the local papers.- generally used for very small contracts where local availability is considered important.

5.4.2 Use of Quotations

- Where we have no suitable suppliers/contractors and quotations are required consideration should be given to:
 - Using the Public Contract Scotland Portal: Quick Quotes. Note local suppliers should be asked to register on Quick Quotes.
 - advertisement in the SFHA's Housing Scotland Today.- generally used for RSL specialist consultants.

5.4.3 Use of Traditional Competitive Tender

- Tenders should always be assessed on the Most Economically Advantageous Tender (MEAT) basis, using the Best Quality Price Ratio to evaluate tenders submitted.
- The Budget Holder will establish all tender documentation (including PQQ documentation) the Tender Evaluation Criteria (including sub criteria), prior to going out to advertising the tender. See the Procurement Procedure Manual.

5.4.4 EU Procurement Contract Award Procedures

There are 5 different procedures as noted below:

- Open Procedure (only use when the number of expected tenders is known to be limited)
- Restricted Procedure (Most commonly used procedure)
 - It is a 2 stage process:-
 - i. Selection of a number of suitably experienced, qualified companies ('shortlisting'), and
 - ii. Inviting those selected companies to submit proposals.
- Competitive Procedure with Negotiation (use in specific situations)
- Competitive Dialogue Procedure (use in very rare situations)
- Innovation Partnership (use in very rare situations)

5.5 Procurement Process Threshold

5.5.1 The chart in Appendix 1 gives an overview of Threshold and Approval levels and advertising requirements.

5.5.2 Procurement Reform (Scotland) Act 2014

This Act only applies to all procurement above certain financial threshold values. Appendix 2 sets out in more detail the definition of Supplies/Services and Works and at what thresholds the Procurement Reform (Scotland) Act 2014 apply

Any contract valued on or above these threshold values are considered ' Regulated Contract'

5.5.3 EU procurement levels

The EU Procurement Directives only apply to contracts above certain financial threshold values. Appendix 2 sets out in more detail the definition of Supplies/Services and Works and at what thresholds the formal EU rules apply.

5.6 Advertising

To ensure competition, the Association will advertise as widely as is considered efficient to do so.

Expenditure below £5000 does not require to be advertised as it is considered cost prohibitive and not best uses of resources to do so.

The Budget Holder will ensure adequate publicity is undertaken given the level of the expenditure. However below Procurement Reform (Scotland) Act 2014 levels , suggested methods of advertising to be used for the different purchasing levels are noted in the Procurement Process Threshold table (Appendix 1). Where staff are advertising for any procurement, they will also email appropriate contractors/ suppliers on our List of Named Suppliers to advise them of the advert.

Further detail on the advertising process is included in the Procurement Procedure Manual.

5.7 Tendering Process

The tendering processes are detailed in the Procurement Procedure Manual and adhere to the Statutory Guidance on the selection of tenderers and award of contracts, as published by the Scottish Government.

The Manual will also set out in more detail, which will be in line with Procurement Reform (Scotland) Act 2014 & Public Contracts (Scotland) Regulations 2015 :

- exclusion grounds that can/should be used
- selection criteria
- use of technical specifications
- Debriefing of contractors
- Remedies available to contactors for PSHA breaching its legal responsibilities in procurement.

There is a separate process to selecting a contractor/supplier from a Framework.

5.8 Most Economically Advantageous Tender (MEAT)

When tendering, the Association will use a cost effective approach. This will incorporate the use of best price-quality ratio. The ratio should include sub

criteria including qualitative, environmental and/or social aspects linked to the subject matter of the contract.

Determination of the Criteria and the ratings used of the ratio will be delegated will be determined by the Manager.

It is important all tender requirements shall be related and proportionate to the subject matter of the tender and how the tender will be assessed must also be clearly set out in the “Invitation to tender” documentation.

- 5.9 In the event that Scotland’s changes currency any sums of money referred to in Sterling in this Policy shall be redenominated into the new currency at the rate of exchange applying as at the date of change of currency.

6. Partnering

- 6.1 The association, where practical, will consider partnering with its other IFLAIR partners to purchase goods, services and works where it is considered best use of procurement skills and resources and/or greater purchasing leverage can be gained from partnering. This will also include ‘Wider Role’ projects.

- 6.2 Even where it is considered necessary to tender separately, consideration will be given to the benefit of sharing procurement information, such as tender documentation, to avoid duplication of resources.

6.3 Framework Agreements

- The Association will consider using the Scottish Government ‘Contract and Strategy Directory’ (link below) for all purchases, unless we are aware the Framework is not relevant or have evidence that better pricing can be obtained elsewhere, particularly from small local and charitable companies. <http://www.scotland.gov.uk/Topics/Government/Procurement/directory>

On request staff training will be provided by the Finance Manager on how to access and use the Framework.

- The Association will participate in all IFLAIR frameworks, where it is beneficial to do so.

- The Association will consider the use of other frameworks available to the Association, where considered good value to do so.

Delegated Authority is given to the Managers to assess which and when frameworks should be used. Committee approval is only required where the framework commits us to spend above the Managers approval levels.

7. Procurement Roles and Responsibilities

7.1 Role of Committee

The role of committee is to approve the overall Procurement Policy and agree the principles/levels at which various staff members have delegated authority.

7.2 Role of Director/Section Managers

To ensure:

- a) the principles of the policy are always followed by staff,
- b) to ensure the procurement procedures fit with this policy and are clearly set out and promoted to staff.
- c) day to day implementation of the policy and associated procedures

7.3 Delegated Authority Levels

The Spend Authority Levels (Appendix 3) sets out which sets out what delegated authority staff have with regard to procurement on behalf of the Association and where Committee approval is required.

This includes the making of purchases and the award of procurement contracts/frameworks.

7.4 Separation of Duties

The role of budget holder and payment authority should always be separated. Where possible the role of budget holder and purchaser should also be separated

The Management Committee approve the overall budgets for the Association, although the detailed split of these budgets is delegated to the Senior Management Team.

The budget holder (normally the Manager) has the overall responsibility for spending within their budget headings and they have the authority to financially commit the Association to making payments from their budgets including the authority to approve a procurement strategy or to commit the organisation to a contract for the purchase of goods, services or works.

The purchaser (normally staff) has the authority to:

- issue the invitation to tender document or requests for quotations;
- place a purchase order; and.
- approve invoices for payment.

The payment authority (Payment Signatories) have the authority to make payments for goods, services or works. (Per PPF02 Approved List of Banking Signatories)

Separation of roles within a procurement process provides necessary safeguards against impropriety or unethical practice. Procedures exist that allow only those staff with appropriate purchasing authority to commit the association to a new contractual relationship or purchase.

7.5 Procurement Arrangements

Procurement arrangements will be reviewed periodically to consider whether ordering and payment procedures could be streamlined and value for money improved through implementation of relevant technology solutions, including e-procurement.

7.6 Payment Arrangements

The payment of invoices that do not have a pre-requisite contract or order for the goods, services or works provided tends to facilitate unofficial buying by allowing the procurement function to be bypassed. It also means that authority to procure is retrospectively given rather than pre-approved. Therefore, suppliers should be given notice that goods, services and works should only be

provided on receipt of appropriate contract, written order (including emails) or works order from the Association and within that same written notice informed that invoices received without contract or authorised order will require special approval within the Association if they are to be paid.

Payments will be made in line with the Purchase Ledger Procedure (PPKD Fin 28) and Banking Procedure (PPKD Fin 32).

The Association's policy will be to aim to pay all suppliers (where there is no dispute) within 30 days of receiving the invoice for payment.

8. Training

There is an acknowledgement that this is a changing and complex area of knowledge that cannot be completely covered in all detail in this policy and associated procedures.

Therefore annually all Managers should ensure they attend training to ensure they keep up to date with, in particular the relevant legislation regarding procurement to ensure they have a working knowledge of procurement.

Training for other staff should also be considered, particular as part of the appraisal process, where this would be considered necessary.

More detailed training and guidance is provided by the Scottish Government through the Procurement Journey, published on their website.

For more complex procurement, in particular new to the Association, it may be necessary to appoint a procurement expert to assist with the process.

9. Risk Management

The Association recognizes that ineffective procurement presents a risk to the Association. This is rated as a high risk and so risk management action plan is in place and early warning indicators have been identified to monitor this risk.

Another key risk is failure to operate within Procurement legislation resulting in contract awards being cancelled with costs or other remedies being sought

through the courts by third parties. This is rated as a low risk as we aim to follow the governments published procedures.

The Association will ensure any training on procurement required by staff, is identified through performance review or otherwise, and that these needs are met to provide an efficient and effective procurement service.

The Association will undertake both internal and external audit of procurement as required and will take account of any recommendations contained therein.

10. Compliance with Standards & Legislation

The Association will conduct its affairs to ensure that it complies with all the legislation and standards, in particular:

10.1 SHR Charter Standards

i. 13. Value for money

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

ii. 14. Rents and Services

A balance is struck between the level of service provided, the cost of the service and how far current and prospective tenants and other customers can afford them

10.2 SHR Regulatory Standards of Governance and Financial Management

i. Standard 2

The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders and its primary focus is the sustainable achievement of these priorities.

ii. Standard 3

The RSL manages its resources to ensure its financial well-being and economic effectiveness.

iii. Standard 5

The RSL conducts its affairs with honesty and integrity.

10.3 Compliance with the legislation covering Procurement

Public sector procurement in Scotland takes place within the framework of European, UK and Scottish legislation.

It is mandatory that the procurement process complies fully with the Procurement Legislation:

i. EU Treaty Obligations

The fundamental principles that should be followed, in all public procurement activity, regardless of value, are:

- Transparency- contract procedures must be transparent and contract opportunities should generally be advertised
- equal treatment and non-discrimination- potential suppliers must be treated equally
- proportionality – procurement procedure and decisions must be proportionate; and
- mutual recognition – giving equal validity to qualifications and standards from other EU members states, where appropriate

ii. EU Procurement Directives and associated Scottish Regulations

The EU Procurement Directives are given effect in Scots law by Public Contracts (Scotland) Regulations 2015.

In particular they set out the thresholds above which formal EU procurement procedures must be followed.

iii. Procurement Reform (Scotland) Act 2014

This Act regulates procurement above the regulated contracts threshold (Appendix 2) but below the EU Procurement Thresholds.

In particular its sets out:

- General Duties:
 - To treat economic operators equally and without discrimination
 - To act in a transparent and proportionate manner
 - To comply with the Sustainable Procurement Duty

- A Sustainment Procurement Duty
- Reporting Requirements.

11. Sustainable Procurement Duty

The Association recognises it has a sustainable procurement duty. It will conduct its procurement and act with a view to securing improvement in the economic, social and environment well-being of those in its area of operation.

The Sustainment Procurement Duty is to:

- Improve the economic, social and environmental wellbeing of the area;
- Facilitate involvement of small and medium-sized enterprises, third sector bodies and supported businesses; and
- Promote innovation

This duty specifically applies to all 'regulated contract' (with a value above the Procurement Reform threshold)

Where practical, we will consider how to facilitate the involvement of small to medium businesses, third sector organisations and Supported Business (as defined in the legislation) and aim to promoted innovation.

All Social and environment considerations must relate to the subject matter of the contract.

The use of social and environmental considerations must adhere to the principles of procurement and legal requirements.

The scoring of any social and environmental criteria within a tender must be capable of objective assessment

Community Benefits are contractual requirements relating to training and recruitment or the availability of sub-contracting opportunities or which are otherwise intended to improve the economic, social and environmental

wellbeing of the public body's area, in a way which is additional to the main purpose of the contract in question

Community Benefits must be considered where contracts are values above £4m.

The Association will follow the Scottish Government Guidance on how best to achieve these requirements.

12. Performance Management

12.1 Contract Management General

It is the Association's policy that all significant (over £50,000) contracts for good, works or services must incorporate a contract specific Service Level Agreement. Throughout the duration of the contract a Supplier Management Plan should be established and monitored that includes Supplier Performance Measurements and Reporting Mechanism in terms of service delivery, contract management and customer satisfaction. Poor performance by the contractor against the Plan may reduce the supplier's opportunity to express an interest in any future similar contracts.

The method and frequency together with roles and responsibilities will vary from contract to contract and it is delegated to the Manager as to how this should be set out. However, for guidance on drafting the documents, Manager's should refer to the Scottish Government website:
<http://www.scotland.gov.uk/Topics/Government/Procurement/buyer-information/spdlowlevel/routetwotoolkit/contractsupplermanageme/overvie>
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12.2 Performance of technical contractors will dealt with through the Maintenance Policy. (PPKD M07)

12.3 Performance Monitoring

- Overall financial performance of procurement will be monitored through the management accounts and KPIs reported to the Committee quarterly.
- IFLAIR KPI will be monitored
- Contractor Meetings

13. Procurement Reporting

- The Association will publish Its Contract Register of all its regulated contracts on the web, via the Procurement Scotland Portal.
- The association will annually review the total estimated value of its regulated contracts spend for the coming year and if above the level specified by the Procurement Reform (Scotland) Act 2014 (currently £5m), the Association will:
 - Publish a Procurement Strategy on our website
 - Committee will also receive an Annual Procurement Report
- The Association will also prepare a summary a report for each regulated contract, in the form specified by the Scottish Government. The Scottish Government will request this information to allow it to fulfil its requirements to the EU.

All tendering documentation will be held for at least 3 years after tendering for this purpose.

14. Customer Involvement

In consultation with the Tenant Participation Working Group it has been agreed Tenants will be informed of our levels of spend in the following ways.

- Annually the Association will publish a pie-chart showing what the main areas of expenditure were the previous year.
- Large construction projects and component replacement contracts will be publicised, along with the associated costs, to tenants in the newsletter.
- Annually the Association will publish a table of the value of purchases for the year split into companies from within:
 - Renfrewshire, or
 - Scotland, or
 - UK

15. Ethics

In all dealings with suppliers and potential suppliers, the Association must preserve the highest standards of honesty, integrity, impartiality and

objectivity, in line our various 'Ethics' Policies and in particular the Code of Conduct of Staff.

Staff engaged in commissioning of tenders/contracts must:

- be fair, efficient, firm and courteous;
- maintain the highest possible standard of integrity in all business relationships;
- where relevant, acquire and maintain current technical knowledge;
- comply with the law, guidance on professional practice and contractual obligations;
- declare any personal interest which may affect or be seen by others to affect impartiality;
- respect the confidentiality of information received in the course of duty and ensure that information given in the course of duty is honest and clear; and
- respond promptly, courteously and efficiently to suggestions or enquiries.

Technical Contractors will be expected to follow the Code of Conduct for Contractors as per the Maintenance Policy.

Staff and Committee must declare any conflict of interest (potential or actual) with contractors/suppliers/consultants in the normal manner through the Declaration of Interests procedure. (PPKD HR03)

The Association will promote to and encourage its approved contractors/suppliers to adopt payment of the Renfrewshire Living Wage rate, as published by Renfrewshire Council, to its employees.

16. Data Protection

Where possible and practical to do so the Association will aim to be open in its request for tendering information.

However when implementing the policies and procedures of Paisley South Housing Association all staff and committee members must adhere to and be aware of the requirements of the Association's approved Confidentiality Policy and the Data Protection Act 1998 and be mindful of commercial sensitivity, particularly of third party information.

In situations where there may be any doubt about the requirements of the Data Protection Act 1998 and commercial sensitivity verses the rights to information, it is recommended that the Association seeks the views of its legal advisors.

17. Equal Opportunities

The Association promotes equal opportunities and will not discriminate between persons on grounds of gender or marital status, on racial grounds, or on grounds of disability, age, sexual orientation, language or social origin, or of other personal attributes, including beliefs or opinions, such as religious beliefs or political opinions. See our **Equalities and Diversity Policy** (PPKD GOV01).

18. Complaints procedure

The Association aims to ensure that the service provided to residents is of the highest quality. If this is not the case, the **Complaints Handling Procedures** (for PSHA and PSPS) are in place to allow all residents or affected parties to state their grievance. The Scottish Public Services Ombudsman is the final stage of this process for tenants or potential tenants. The Home Owners Panel is the final stage for factored owners.

19. Review Process

- This Policy will be formally reviewed five years from the date of approval.
- This Policy will be updated following the recommendations of the QEF working group.
- Consideration will be given to any changes in legislation, good practice or operational changes which may affect the content. In particular the review of EU Procurement Thresholds which takes place every 2 years.
- The Procurement Process Thresholds and Spend Authority Levels will also be reviewed every 2 years.

Appendix 1 Procurement Process Threshold

Value (excluding VAT)	Activity	Suggested Form of Advertisement if no Framework to use.	Approval to Purchase.
£0-£500	Low value procurement. No quotation required	None	Staff per Spend Authority Levels
£501-£5,000	Low value procurement. One quotation required	None	Staff per Spend Authority Levels
£5,001-£10,000	Low value procurement. Minimum of 3 quotations required.	Advertise via: * Quick Quotes or * Scottish Housing News or * Paisley Daily Express or * Evening Times or *GWOSF and the PSHA website as appropriate	Staff per Spend Authority Levels
£10,001-£50,000	Medium value procurement. Minimum of 3 written tenders	Scottish Housing News or Public Contracts Scotland Portal	Staff per Spend Authority Levels or Approval required by Management Committee
Above £50,000 but below EU Procurement Levels	High value procurement. Minimum of 3 written tenders	Advertised & tender through the Public Contracts Scotland Portal	Approval required by Management Committee
Above EU Procurement Levels	High value procurement. Tender under EU procurement Rules	Under OJEU Rules , procurement is require to be formally advertised through the Public Contracts Scotland Portal	Approval required by Management Committee

Appendix 2: Procurement Levels

EU Procurement Threshold

Follow this link to view the current [EU Procurement Thresholds](#)

As at 1st January 2018 the levels (Net of VAT) were as follows:

Public Contracts (Scotland) Regulations 2015	Supplies	Services	Works
Other public sector contracting authorities	£181,302	£181,302	£ 4,551,413

This Appendix will be updated in January 2020.

Regulated Contracts Threshold

Threshold applicable (excluding VAT) to the Procurement Reform (Scotland) Act 2014:

Procurement Reform (Scotland) Act 2014	Supplies	Services	Works
Other public sector contracting authorities	£50,000	£50,000	£ 2,000,000

Appendix 3: Spend Authority Levels (Excluding VAT)

An individual member of staff may authorise expenditure on items provided for in the annual budget, without first seeking the approval of the Management Committee, subject to the following limits:-

Director	£25,000
Finance Manager	£25,000
Housing Manager	£10,000
Technical Manager	£10,000
Assistant Housing Manager	£ 5,000
Technical/Housing Officer/ SCOW / Technical Assistants	£ 3,000
Administrative Officer	£ 2,000
Receptionist/Technical Clerical Officer/ Housing Assistants/ Estate Assistant / Housing Officers	£ 500