



# **Govan Housing Association**

## **Procurement Policy**

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| <b>Policy Manual Section;</b>                     | Governance  |
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## 1. Introduction

- 1.1 Govan Housing Association (Govan HA) seeks to procure services in a manner that not only complies with current legislation and best practice but also works creatively and collaboratively to support the local economy in Govan.
- 1.2 This policy describes how Govan HA will purchase, or 'procure', goods and services, including circumstances where we will appoint any of our wholly owned subsidiaries for the purposes of completing works or services on our behalf
- 1.3 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 from the petty cash float to large development and planned maintenance contracts awarded following a full tendering process.

## 2. Purpose

- 2.1 This Policy establishes how Govan HA's Board expects procurement related activity to be undertaken by the organisation.

## 3. Legislation and Good Practice

- 3.1 This policy supports the Association in meeting its statutory obligations under the Procurement Reform (Scotland) Act 2014.<sup>1</sup>
- 3.2 This policy supports the Association in meeting particular aspects of the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management:

| Standard  | Guidance  |
|---|---|
| <b>The RSL manages its resources to ensure its financial well-being and economic effectiveness</b>  | The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times. (Guidance 3.1) |
| <b>The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose</b> | The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit. (Guidance 4.3)  |

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<sup>1</sup> Govan HA is deemed to be a 'public contacting authority' and is therefore bound by the requirements of this legislation

#### **4. Bribery Act 2010**

- 4.1 Govan Housing Association acknowledges the provisions of the Bribery Act 2010 and aims to maintain compliance with this as part of its everyday business. This is particularly relevant when procuring works and services.
- 4.2 Govan Housing Association will always carry out its business transparently and fairly and will operate a zero tolerance policy towards bribery by its employees, Board members, contractors, agents and other associated persons.

#### **5. Procurement activities**

- 5.1 The main goods and services that will require to be procured by the Association are as follows:
- Small items of office supplies or other consumable products.
  - All office printing, stationery, postage and other materials.
  - Trade materials used by any of our wholly owned subsidiaries.
  - Office furniture and equipment.
  - ICT equipment and 'back-up' services.
  - Maintenance contracts related to office-based equipment or services, e.g. ICT equipment, fire and security alarm systems.
  - Professional services including internal auditors, external auditors, solicitors, bankers, insurance brokers, architects, design consultants, and management consultants employed on specific projects.
  - Contractors covering the full range of trades and professions.

#### **6. Value for Money**

- 6.1 In all our procurement activities we will aim to achieve the best 'value for money' in a sustainable manner by ensuring that, whenever appropriate, we assess quality, cost and sustainability. We recognise that the lowest cost will not necessarily be the best value in the longer term, particularly when the contract being procured has a high degree of service delivery.
- 6.2 We recognise the importance of sustainable procurement, and our duty to demonstrate that we are procuring in a manner that improves the economic, social and environmental well being (this includes reduction of inequality) of the communities in which we operate.
- 6.3 Sustainable procurement should be balanced with value for money and quality and needs to be proportionate to the risk involved in each individual procurement.

- 6.4 We will ensure that our procurement processes are fair and comply with all relevant legal requirements including the Procurement Reform (Scotland) Act 2014, the Public Contracts (Scotland) Regulations 2015, and any supplementary guidance issued by the Scottish Government
- 6.5 The specific procurement approach adopted will be based on the nature, scale and value of the contract being awarded.
- 6.6 Where it is appropriate to consider tenders on a basis other than purely price, a scoring matrix will be developed. The factors scored will vary depending on the nature of the goods or service being procured, with the weighting of the different factors considered and determined in advance. The scoring criteria will be provided to all companies as part of the tender packs being issued.
- 6.7 In making procurement decisions we will also seek to contribute to maintaining and improving the environment, both by purchasing recycled or 'environmentally friendly' fair and ethically traded goods and items whenever possible and/or by supporting suppliers or contractors whose values and production processes are environmentally positive.
- 6.8 We may appoint one of our wholly owned subsidiaries for the purposes of completing any works or services for which we might otherwise procure. If the relationship between us and the subsidiary meets the criteria prescribed by Regulation 13 of the Public Contracts (Scotland) Regulations 2015, namely that the subsidiary carries out over 80% of its activities in performing tasks given to it by us or any one of our subsidiaries, we are responsible for the strategic management and planning of the subsidiary, and the subsidiary is wholly owned by us, then no competitive tendering exercise is required
- 6.9 We will take into account other factors, as well as pricing, when considering whether to appoint one of our wholly owned subsidiaries. For example, where there is benefit to Govan HA and the community we service, such as more direct control over using local contractors, suppliers, and employing locally, greater control over the costs and quality of work, and the ability of our wholly owned subsidiaries to provide a more reactive response to our requirements
- 6.10 Notwithstanding the terms of paragraphs 6.8 and 6.9, we undertake to carry out an analysis of our wholly owned subsidiaries costs regularly or the purposes of benchmarking their costs and other benefits and ensuring the service is cost-effective and provides demonstrable benefits in comparison to other contractors

## **7. Authority to incur expenditure**

- 7.1 Where the proposed expenditure is already included in the approved annual budget, the Board will delegate the authority to incur expenditure to the appropriate member of staff, as detailed in **Appendix 1**.
- 7.2 Where the proposed expenditure is not included in the approved annual budget,

either because it is an item or group of items not considered when the budget was drawn up or because the expenditure will result in an approved budget becoming overspent, virement<sup>2</sup> will be permitted. This will be subject to prior written approval of the Chief Executive, provided that the additional expenditure does not exceed £20,000 and the total approved budget will not be exceeded.

- 7.3 When virement is proposed for sums in excess of £20,000 this will require the prior approval of the Board.
- 7.4 In circumstances of emergency, expenditure may be incurred beyond authorisation levels by obtaining the prior approval of the most senior member of staff on duty and the Chairperson of the Association, who will consult a member of the Executive Management Team, if possible, before agreeing to any request.

Any expenditure so incurred must be reported by the Chief Executive to the next meeting of the Board detailing how this expenditure will be financed.

- 7.5 The Board will review the levels of delegated authority annually to ensure that they remain relevant to current expenditure patterns, budgets and cost inflation, whilst ensuring that there are adequate financial controls for procurement at all levels.

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<sup>2</sup> the process of transferring items from one budget to another

## **8. Financial Limits**

- 8.1 Without prejudice to paragraph 6.8 of this policy, Appendix 1 lays out the thresholds of contracts and the methods of appropriate procurement, where we decide not to appoint one of our wholly owned subsidiaries
- 8.2 The Board will review these financial limits annually, or earlier if the business requires it, to ensure that they remain appropriate for effective governance.

## **9. Obtaining prices, quotations and tenders**

- 9.1 The summary table in **Appendix 1** also sets out the different methods of obtaining prices, quotations and tenders that must be followed when procuring goods and services. These methods are based on the value of the procurement and show the acceptable procurement method and the necessary level of approval.

### **Prices**

- 9.2 For items under the current cost limit which do not require quotations or tenders, the authorised member of staff will, where appropriate and/or possible, seek to check at least two alternative prices either by telephone, by accessing a current catalogue or price list, or by requesting details by e-mail.

### **Quotations**

- 9.3 Quotations may be requested either verbally or in writing. In either case, the authorised member of staff will ensure that sufficient detail is provided to those invited to quote to enable accurate, comparable quotes to be received.

### **Tenders**

- 9.4 Following the development of the appropriate tender documentation, suppliers will be invited to tender, where appropriate.
- 9.5 Reports on tenders and recommendations will be presented to the Board for approval prior to contracts being awarded.
- 9.6 If there are time constraints, the Board may consider delegating authority to the Chief Executive to approve contracts up to a pre- approved level with a retrospective report presented to the Board at the next available meeting.
- 9.7 As outlined above some goods and services may be procured on a basis other than purely price e.g. price, quality and/or sustainability. Where this is the case, appropriate criteria and ratios will be agreed and be clearly set out for tenderers in advance.

## **Negotiation**

- 9.8 Where it is proposed that contracts are procured through negotiation, there must be clear justification for doing so and the decision to enter into contracts based on negotiation must be approved at the appropriate level of authority.

## **10. Contracts and Service agreements**

- 10.1 We will procure certain services through contracts or service agreements for periods of one year or longer, where appropriate. Examples are contracts for the provision of lift maintenance, agreements for the servicing of office equipment, fire and security alarms. Threshold levels for the life of the contract as per **Appendix 1** will apply.
- 10.2 The results of tendering exercises for service contracts or agreements will be reported to the next meeting of the Board for approval prior to contracts awarded.

## **11. Specialist Suppliers or contractors**

- 11.1 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 prior to placing an order or signing an agreement. Details of the discussions held and the reasons for the final recommendation will be fully recorded and reported to the Board for approval should financial limits dictate that Board approval is required.

## **12. Other methods of procurement**

We will continually review our methods of procurement in order to achieve best value for money, meet our duty of sustainable procurement and to comply with current statutory regulations, Scottish Housing Regulator guidance and 'good practice'

- 12.1 We will seek to develop mutually beneficial customer/supplier relationships, particularly with those local contractors and suppliers with which we wish to develop medium to long-term arrangements for the benefit of Govan Housing Association.

## **13. Community Benefits**

- 13.1 The Association will include consideration of contractual clauses relating to community benefits as appropriate to ensure our community can benefit through training and work opportunities as a result of the expenditure that we undertake.

## **14. Payment of contractors**

- 14.1 The Association will ensure not only timely payment to contractors but will also make it a contractual requirement that main contractors who sub-contract any elements of their work also provide evidence of timely payment to their sub-contractors.

## **15. Repeat and Extended Contracts**

- 15.1 Govan HA is conscious of the time and cost that is involved in the procurement process, both from the Association's point of view and that of prospective tenderers. As a result, it seeks where feasible and within the boundaries of current procurement legislation and good practice, to develop a partnership approach with contractors and consultants. In this respect, successful completion of specific pieces of work may lead to the offer of further negotiated packages of work in the coming years.
- 15.2 The possibility, and maximum duration, of any such extension should be indicated in the original procurement process.
- 15.3 In general, contract extensions should only be proposed where the cost lift is at or below inflation.

## **16. Procurement Strategy**

- 16.1 The Association is required by law to produce a Procurement Strategy where, for the following year, it anticipates regulated procurements to amount to at least £5million.
- 16.2 Each year, the Association will assess its planned procurements for the coming year to establish if a Procurement Strategy is required, in line with legislative guidelines.
- 16.3 Where it is anticipated that there will be a statutory requirement for a Procurement Strategy, it will be developed in a timely manner, in line with good practice guidelines and presented to the Board for approval.
- 16.4 Regardless of whether a Procurement Strategy is required or not, the Association will work 'strategically' when approaching procurement to monitor levels based on the following:
- a) Establishing a clear plan of all reasonably anticipated procurements.
  - b) Reporting regularly to the Board on progress and budget versus actual cost comparisons.
  - c) Take cognisance for each procurement of sustainable development

issues relating to each procurement, an evaluation of the market capability and competitive environment, assessment of relevant risks factors and due consideration for appropriate contractual arrangements and pricing strategy.

- d) Ensuring that where deviations to the Procurement Policy are requested a clear, justifiable and auditable case is provided.

## **17. Reporting, Monitoring, Procedures and review**

- 17.1 The Chief Executive is responsible for ensuring that this policy, and the policies and procedures which support it, are followed by all Board Members and members of staff involved in the procurement process.
- 17.2 The Chief Executive is responsible for ensuring that staff implements this policy and the relevant procedures, when procuring goods and services.
- 17.3 On an annual basis, we will review the anticipated value of contracts that will be placed in the coming year to establish if an Annual Procurement Strategy and Procurement Report are required. This will also be an opportunity to establish if there is scope and benefit to developing a framework for suppliers.
- 17.4 We will provide Board with an quarterly progress report and also an annual procurement report that will include:
- A summary of the regulated procurements that have been completed during the year covered by legislation.
  - A review of how these contacts complied with our procurement strategy.
  - The extent that any regulated procurements did not comply with a statement - where relevant - of how we will ensure that future regulated procurements do comply.
  - A summary of any community benefits imposed as part of any regulated procurement contracts fulfilled during the year.
  - A summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the year.
  - A summary of the regulated procurements we expect to commence in the next 2 financial years.
- 17.5 This policy is supported by a 'Receipts of Tenders/Quotations & Opening Tenders Procedure' as approved by the Executive Management Team.
- 17.6 This policy will be reviewed thereafter every 4 years. **Appendix 1** will be reviewed annually – any changes will be presented to the Board for approval.

## APPENDIX 1

### Procurement Summary

Appointment by us of any of our wholly owned subsidiaries, or Govan HA will undertake the procurement steps set out in the table below

| Value (exc. VAT)                          | Primary procurement methods                        | Secondary procurement methods                       | Approval                                     |
|---|--|---|--|
| < £1,000                                  | Approved suppliers schedule of rates / price lists | Quote from approved suppliers                       | Budget holder                                |
| £1,000-£5,000                             | Suppliers' schedule of rates / price lists         | Three quotes from approved suppliers                | Budget holder and Senior Management Team     |
| £5,000-£10,000                            | Three quotes from approved suppliers               | Public Contracts Scotland ('Quick Quote' procedure) | Executive Management Team                    |
| £10,000-£20,000                           | Minimum of four quotes from approved suppliers     | Public Contracts Scotland ('Quick Quote' procedure) | Chief Executive                              |
| £20,000-£50,000                           | Tender via Public Contracts Scotland               | N/A   | Chief Executive and Board member involvement |
| £50,000-£181,303                          | Tender via Public Contracts Scotland               | N/A   | Board  |
| <b>Services and supplies &gt;£181,303</b> | Tender via OJEU                                    | N/A   | Board  |
| <b>Works &gt;£181,303 &lt;£4,551,413</b>  | Tender via Public Contracts Scotland               | N/A   | Board  |
| <b>Works &gt;£4,551,413</b>               | Tender via OJEU                                    | N/A   | Board  |

#### Notes:

- The levels for the last four lines of the above table have been set in line with revised OJEU thresholds, published by the Government in January 2018.
- The values for lesser value procurements have been set lower than the legislative requirements to ensure that there is no breach of the Scottish Legislative thresholds. So, for example, full PCS tendering level has been set at £20,000 even though Scottish legislation only requires this for >£50k.
- Staff may consider using a higher level procurement method if it is deemed to be appropriate due to risk level of contract or if, for example, the Association does not have knowledge of suppliers to invite to quote (e.g. using Full Tendering for a project under £20,000).
- In all cases, a 'call off' from an appropriate framework to which Govan HA has access is acceptable.
- Budget holders will have scope where the budget holder deems it appropriate to use a price/ quality assessment as part of any Quick Quote procedure.

## EQUALITY IMPACT ASSESSMENT

### Pre – EIA Questionnaire

This questionnaire is designed to identify if an Equality Impact Assessment is required. If the answer is “yes” to any of the question, generally an EIA will be required.

| <b>TITLE OF POLICY:</b>  | <b>PROCUREMENT POLICY</b> |
|--|---------------------------|
| DOES THE POLICY AFFECT SERVICE USERS, EMPLOYEES OR THE WIDER COMMUNITY, AND THEREFORE POTENTIALLY HAVE A SIGNIFICANT EFFECT IN TERMS OF EQUALITY?                | <b>NO</b>                 |
| IS IT A MAJOR POLICY, SIGNIFICANTLY AFFECTING HOW FUNCTIONS ARE DELIVERED IN TERMS OF EQUALITY?  | <b>NO</b>                 |
| DOES IT RELATE TO POLICY AREAS OR ISSUES THAT PREVIOUS CONSULTATION OR INVOLVEMENT ACTIVITIES HAVE IDENTIFIED AS BEING IMPORTANT TO PARTICULAR PROTECTED GROUPS? | <b>NO</b>                 |
| DOES IT RELATE TO AN AREA OF WHERE THE ASSOCIATION HAS IDENTIFIED A NEED TO IMPROVE EQUALITY OUTCOMES?   | <b>NO</b>                 |
| DOES IT RELATE TO AN AREA WHERE THERE ARE KNOWN INEQUALITIES?  | <b>NO</b>                 |
| DOES IT RELATE TO A POLICY WHERE THERE IS SIGNIFICANT POTENTIAL FOR REDUCING INEQUALITIES OR IMPROVING OUTCOMES?   | <b>NO</b>                 |
| IS FURTHER ACTION REQUIRED?  | <b>NO</b>                 |
| IF SO, WHAT ACTION IS REQUIRED?  | <b>n/a</b>                |
| IS THE ACTION ACHIEVABLE?  | <b>n/a</b>                |
| TIMESCALE FOR ACTION?  | <b>n/a</b>                |