Procurement Policy

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1 PURPOSE

1.1 This procurement policy ("**this Policy**") outlines the procurement processes and principles to be followed by all staff at Futures Housing Group Limited ("**FHG**") to ensure compliance with the Procurement Act 2023 ("**PA 23**") and all associated legislation. It aims to promote the objectives of PA 23 in all procurement activities while supporting the social housing sector's objectives and the organisation's strategic goals.

1.2 This Policy has been developed within the framework provided by the FHG's Group Corporate Plan, financial regulations and standing orders.

1.3 Nothing in this Procurement Policy shall override instructions or conditions imposed by the Regulator of Social Housing ("**the Regulator**"), the Financial Reporting Council, through legislation or in the Articles of Association ("**the Articles**") of FHG.

1.4 FHG's objectives for procurement are:

1.4.1 to procure efficiently and effectively to meet FHG's needs and its wider Corporate Objectives;

1.4.2 to enhance the potential of FHG's communities, discharging obligations to customers in the process;

1.4.3 to satisfy the requirements of the Regulator of Social Housing (RSH) Regulatory Framework to maximise value for money through purchasing the correct quality and quantity, at the right time and right price;

1.4.4 to comply with all applicable UK legislation; and

1.4.5 to support the delivery of sustainable procurement across the three pillars of:

- the environment;
- the economy; and
- social value.

2 SCOPE

2.1 Applicability to FHG Organisations

2.1.1 This Policy applies to all procurement activities undertaken by FHG and all its subsidiaries other any subsidiary that operates on "wholly commercial" principles;

2.1.2 References to FHG in this Policy should be interpreted as references to the FHG organisation that is conducting the procurement.

2.2 Applicability to Procurements

2.2.1 The procurement activities to which this Policy applies include:

- acquisition of goods;

- procurement of services;
- commissioning of works;
- lease and hire agreements;
- consultancy services;
- setting up and using frameworks; and
- setting up and using dynamic markets.

2.3 All procurements that commence after the entry into force of PA 23 on 24th February 2025 must be conducted by reference to PA 23 including Regulations made under PA 23 and any statutory guidance published by the UK Government.

2.4 Under transitional arrangements, procurements commenced under The Public Contracts Regulations 2015 ("PCR 2015") must continue to be procured and managed under PCR 2015. Any contracts, framework agreements or dynamic purchasing systems awarded under PCR 2015 will continue to be managed under the PCR 2015 until such time as they come to an end. These procurements will continue to be governed by the predecessor Procurement Policy to this Policy.

2.5 Applicability to FHG Staff

2.51. All team members involved in purchasing will be required to adhere to this Procurement Policy when carrying out a procurement or awarding a contract to a third party. All purchasing will be carried out by officers or consultants employed by FHG who have the appropriate skills, knowledge and experience and who are properly supported by specialist legal advice where appropriate;

2.5.2 All tender processes and quotations will be managed by FHG's dedicated Procurement Team.

3 PRINCIPLES AND OBJECTIVES

3.1 Principles applicable to all Procurements

3.1.1 FHG will adhere to the following key principles in its procurement activities:

- **Legal Compliance**: Adhering to all relevant laws and regulations;
- **Value for Money**: Achieving the best combination of quality and cost over the lifecycle of the product or service;
- **Public Benefit, Social Value and Sustainability:** Securing appropriate social value, considering the social impact of procurement decisions and promoting sustainable procurement practices; and
- **Transparency**: sharing information so suppliers and others understand FHG's procurement policies and decisions;
- **Fairness**: Providing equal opportunities for all suppliers and contractors including levelling the playing field for small and medium enterprises, voluntary, community and social enterprises

and start-ups, not discriminating against suppliers and treating suppliers the same unless a difference between the suppliers justifies different treatment, in which case FHG must take all reasonable steps to ensure it does not put a supplier at an unfair advantage or disadvantage;

- **Ethical Standards**: Maintaining high ethical standards in all dealings including acting and being seen to act with integrity, skill and capability.

3.2 Sustainable Procurement

3.2.1 Environmental Considerations: FHG is committed to promoting sustainability through its procurement practices by:

- preferring suppliers with strong environmental policies;
- reducing carbon footprint and waste;
- encouraging the use of renewable resources and energy-efficient products.

3.2.2 Economic Considerations: FHG will seek in its procurement to:

- support local businesses and suppliers, to the extent that this is consistent with its legal obligations to treat suppliers equally irrespective of location;
- support and educate bidders, helping them improve their competitiveness in future tenders; and
- considering whole-life costing rather than just initial purchase price.

3.2.3 Social Considerations: FHG will seek to:

- promote fair labour practices;
- ensure suppliers adhere to the Modern Slavery Act 2015; and
- consider the social impact of procurement decisions.

3.3 Social Value

In line with the Public Services (Social Value) Act 2012, FHG will consider how procurement activities can:

3.3.1 Improve Economic Well-Being:

- create employment opportunities that benefit the communities in which FHG works;
- support apprenticeships and training programmes;

3.3.2 Enhance Social Well-Being:

- encourage community engagement and development;
- promote social inclusion and diversity;

3.3.3 Support Environmental Well-Being:

- reduce environmental impact;

- promote sustainable development.

3.4 Ethical Procurement

FHG will ensure:

3.4.1 Anti-Corruption and Bribery:

- no tolerance for corruption or bribery;
- compliance with the Bribery Act 2010;

3.4.2 Fair Treatment of Suppliers:

- treatment of all suppliers and contractors with fairness and respect;
- avoidance of conflicts of interest;
- impartiality;

3.4.3 Modern Slavery Compliance:

- suppliers comply with the Modern Slavery Act 2015; and
- regular audits and assessments of supply chains are undertaken by FHG.

4 LEGAL AND REGULATORY FRAMEWORK

4.1 Legislation

All procurement activities will comply with the following legislation:

4.1.1 **Procurement Act 2023**: The new public procurement regime which applies to all procurements and public contracts commenced on or after 24 February 2025;

4.1.2 **The Procurement Regulations 2024**: Secondary legislation supplementing PA 23;

4.1.3 **The Procurement Act 2023 (Commencement No.3 and Transitional and Savings Provisions) Regulations 2024**: Secondary legislation supplementing PA 23;

4.1.4 **Public Contracts Regulations 2015 (as amended)**: Where procurements commenced prior to 24 February 2025. through the publication of a procurement notice the PCR 2015 continues to apply until expiry of the contract, framework agreement or dynamic purchasing system;

4.1.5 **Equality Act 2010**: Promotes non-discrimination and equality in the treatment of individuals;

4.1.6 **Modern Slavery Act 2015**: Seeks to prevent human trafficking and forced labour in supply chains;

4.1.7 **The Late Payment of Commercial Debts (Interest) Act 1998, the Late Payment of Commercial Debts Regulations 2002 and the Late Payment of Commercial Debts (Amendment) Regulations 2018**: Mandates that public sector organisations and commercial businesses must pay their suppliers on time, imposing statutory interest and compensation on overdue payments;

4.1.8 **Environment Act 2021:** Enforces compliance in relation to improving air and water quality, tackling waste and enhancing biodiversity;

4.1.9 **Health and Safety at Work etc Act 1974**: Requires health and safety standards to be met;

4.1.10 **Building Safety Act 2022**: Sets out requirements on the design, construction and management (including maintenance) of buildings including higher risk buildings.

4.1.11 **Data Protection Act 2018 (GDPR)**: Protects personal data in procurement processes;

4.1.12 **Small Business, Enterprise and Employment Act 2015**: **(SBEE)** designed to enhance the business environment for small and medium sized enterprises (SMEs);

4.1.13 **Public Services (Social Value) Act 2012**: Requires consideration of social value in procurements of services;

4.1.14 Other relevant UK legislation and regulations.

4.2 Guidance

FHG must have regard to the following guidance in its procurement activities:

4.2.1 **National Procurement Policy Statement (NPPS)**: FHG must have regard to the policy objectives contained in the NPPS when carrying out a procurement. The NPPS aligns procurement activities with national priorities. FHG will:

- align procurement activities with the priorities outlined in the NPPS; and
- incorporate considerations such as economic, social, and environmental benefits in procurement decisions.

4.2.2 **Cabinet Office Guidance – Procurement Act 2023:** FHG must have regard to guidance published by the Cabinet Office on the implementation of PA 23. Where this is statutory guidance or guidance to which “have regard” under PA23 FHG must have a good reason for doing so where FHG chooses not to follow that guidance; and

4.2.3 **Procurement Policy Notes:** These are published by the Cabinet Office. Where they apply to FGH (some apply only to central government bodies), FHG must have regard to them in undertaking procurement activities. FHG will:

- follow specific instructions and guidance issued by the government on various aspects of procurement to the extent that FHG is required to follow those instructions or comply with that guidance; and
- implement measures and practices recommended in PPNs to enhance procurement efficiency and compliance.

4.3 Regulatory Framework

So as to accord with the RSH's Regulatory Framework, this Policy has been developed to:

4.3.1 achieve value for money and continuous improvement;

4.3.2 promote customer involvement and empowerment;

4.3.3 identify, manage and mitigate risks;

4.3.4 maintain high standards of probity and to not bring the sector into disrepute;

4.3.5 foster positive relations with stakeholders;

4.3.6 demonstrate a commitment to equality and diversity; and

4.3.7 be accessible, accountable and transparent.

4.4 Notices

4.4.1 Under PA 2023, FHG must publish specific notices to ensure transparency and compliance. The detail set out in these notices is extensive and provided for in the Regulations. All notices must be published on the central digital platform. These notices are:

Notice	Commentary
Pipeline Notice	**Applicability:** This is unlikely to apply to FHG since it applies only if an organisation considers it will pay more than £100 million (inclusive of VAT) under relevant contracts in a financial year. We have referenced it here for completeness only.
Preliminary Market Engagement Notice	**Purpose:** This notice is required where FHG engages in preliminary market engagement. It is compulsory unless FHG provides a reason for not publishing it in the Tender Notice. **Timing:** Prior to or during preliminary market engagement.
Planned Procurement Notice	**Purpose:** This notice is optional and may be published to advertise FHG's intention of publishing a Tender Notice. This notice will constitute a "qualifying planned procurement notice" (for the purposes of reduced minimum tendering periods) where the notice is published in accordance with the timescales below. **Timing:** At least 40 days but not more than 12 months before the day on which the tender notice is published.

Notice	Commentary
Tender Notice	**Purpose:** This notice starts a formal procurement process and is compulsory where a public contract is advertised as part of a competitive tendering exercise. “Associated tender documents” must be provided alongside the tender notice. **Timing:** On commencement of the procurement – i.e. publishing a request to participate or, in the case of any competitive flexible procedure where there is no request to participate, when tenderers are invited to submit their first tender.
Transparency Notice	**Purpose:** This notice is required to give notice that FHG intends to award a contract directly to a supplier, where PA 23 permits this. **Timing:** Before directly awarding a contract.
Procurement Termination Notice	**Purpose:** If, following publication of a Tender Notice or Transparency Notice, FHG decides not to award the contract, FHG must publish a Procurement Termination Notice. **Timing:** As soon as reasonably practicable after deciding not to award the contract.
Contract Award Notice	**Purpose:** This notice sets out FHG’s intention to enter into public contract. **Timing**: Before entering into a public contract but after providing each supplier that submitted an assessed tender their “assessment summary”. This notice triggers the start of a standstill period that FHG must observe (other than in limited exceptional cases) before signing the contract.
Contract Details Notice	**Purpose:** This notice sets out that FHG has entered into a public contract. It also states the 3 “most material” KPIs. If the contract has a total value of more than £5million (including VAT) a copy of the contract must also be published (but commercially sensitive information can be redacted from it) **Timing:** Within 30 days of entering into the public contract (or within 120 days if entering into a light touch contract).
Contract Change Notice	**Purpose:** This notice sets out that a public contract (or a contract which is now become a public contract

Notice	Commentary
	because of the modification – known as a convertible contract) has been modified. This notice is not required if: (1) the modification increases/decreases the value by 10% or less for a goods or services contract or 15% or less for a works contract; or (2) the modification increases/decreases the term of the contract by 10% or less of the maximum period provided for on award. This exception does not apply in the case of modifications relating to novation or assignment on corporate restructuring. Does not apply to light touch contracts. **Timing:** Before modifying a public contract or convertible contract. May contain a voluntary standstill period.
Contract Performance Notice	**Purpose:** This notice is required in three scenarios: where FHG has set KPIs as required by PA 23 in which case this notice will contain information assessing performance against the KPIs and certain other information specified in the Regulations; where the supplier is in breach of a public contract resulting in total/partial termination, award of damages or a settlement agreement; or
Contract Performance Notice (continued)	where FHG considers the supplier is not performing the public contract to FHG's satisfaction, has been given proper opportunity to improve performance and has failed to do so. In the latter two scenarios (which do not apply to light touch contracts), a Contract Performance Notice must be published stating that the relevant provision of PA 23 applies, the circumstances giving rise to it applying and other specified information. **Timing:** Under Scenario 1 this notice must be published at least once in every period of twelve months during the lifecycle of the contract and on termination. Under Scenarios 2 and 3 this notice

Notice	Commentary
	must be published before the end of the period of 30 days beginning with the day the relevant PA 23 ground first applies.
Payment Compliance Notice	**Purpose:** This notice must be published at the end of each six-month period if a payment has been made under a current public contract, or a sum owed under a public contract becomes payable. It sets out specified information about FHG's compliance with the payment obligations (i.e. to pay within 30 days) and other relevant information. **Timing:** Within 30 days of the last reporting period (every six months ending 31 March and 30 September). Note in addition to the Payment Compliance Notice, PA 23 requires that specified information on any payment of more than £30,000 (inclusive of VAT) within 30 days of the end of the quarter in which the payment was made. Payment Compliance Notices and the additional information requirements above do not apply to concession contracts.
Contract Termination Notice	**Purpose:** This notice must be published when a contract is terminated (this includes discharge, expiry, termination by any party, rescission or being set aside). **Timing:** Within 30 days of the contract's termination.
Below-threshold Tender Notice	**Purpose:** This notice sets out that FHG intends to award a notifiable below-threshold contract (i.e. a contract with an estimated value of not less than £30,000 (inclusive of VAT)). Note, this notice is not required if the contract is procured through approaching a single supplier or a "closed" tender list. **Timing:** Before FHG advertises to invite tenders for a notifiable below-threshold contract.
Below-threshold Contract Details Notice	**Purpose:** This notice sets out that FHG has entered into a notifiable below-threshold contract. **Timing:** As soon as reasonably practicable after entering into a notifiable below-threshold contract.

4.4.2 Adhering to these notice and publication requirements is a requirement of the PA 23.for contracts valued above the applicable Public Procurement Tendering Threshold (see below) that are not exempt from tendering under PA 23.

5 THRESHOLDS AND VALUATION

5.1 Public Procurement Tendering Thresholds

As of 1 January 2024, tendering thresholds (‘the Public Procurement Tendering Thresholds”) above which contracts have to be tendered under the public procurement rules unless exempt (inclusive of VAT) are:

Supplies and / or Services	£214,904
Works	£5,372,609
Light Touch Regime for Services	£663,540

5.2 FHG Thresholds and Requirements

5.2.1 **Below £10,000**: Direct purchase with a single quotation. Efforts should be made to ensure value for money. Approval from the relevant manager is required;

5.2.2 **£10,000.01 to £50,000**: Obtain at least three written quotations. Award should be based on ensuring value for money in terms of the best combination of quality and cost over the lifecycle of the product or service. Approval from the department head is required. Where the estimated value of the contract £30,000 or more and the opportunity is advertised wider than to a particular or pre-selected suppliers, FHG must publish a Below-threshold Tender Notice on the central digital platform;

5.2.3 **£50,000.01 to Public Procurement Tendering Threshold**: Formal tender process required, including public advertisement and competitive bidding. Approval from the budget holder and in line with the schedule of authorities is required;

5.2.4 **Above Public Procurement Tendering Threshold**: Full tender process required. Approval from an Executive Director. These are referred to (in PA 23 and this Policy as ‘covered procurements’). Where the tender will be subject to reporting KPIs under the PA 2023 (i.e. where the estimated value of the contract is more than £5 million), the tender will be regarded as a “Project” and the PMO may be required to support the procurement, at the discretion of the Head of Procurement.

5.3 VAT

5.3.1 The figures in paragraphs 5.1 and 5.2 include VAT payable under the contract (in line with the valuation of contracts for the purposes of the public procurement tendering thresholds).

5.4 Valuation

5.4.1 **Valuation:** For the purposes of the above thresholds the contract value is the total amount payable under the contract (including any extensions and ignoring any break options). It is not the annual value;

5.4.2 **Aggregation:** For the purposes of the Public Procurement Tendering Thresholds, where there are two or more contracts for goods, services or works that could reasonably be procured together, the value (to determine whether a public procurement tender process is necessary) is the combined value. However, the two contract values do not need to be aggregated together where FHG has good reasons not to do so.

5.5 Exemptions:

5.5.1 **Exempt contracts**: There are certain contracts (e.g., leases and land sales, employment contracts) that are exempt from having to be tendered despite having a value above the Public Procurement Tendering Thresholds;

5.5.2 **Procurement support**: Unless it is clear that the exemption applies (eg for employment contracts) Procurement should be involved in these contracts to confirm that the exemption does apply to the particular contract concerned.

5.6 Waivers

Deviation from the above process is permitted for contracts below the public procurement tendering threshold with the following waivers:

5.6.1 up to £50,000 – deviation is permitted by a waiver signed by the Director of Finance;

5.6.2 up to £99,999.99 - deviation is permitted by a waiver signed by two Executive Directors;

5.6.3 £100,000 up to the Public Procurement Tendering Threshold - deviation is permitted by a waiver from the Board;

5.6.4 above the Public Procurement Tendering Threshold – waivers are not permitted.

6 BELOW THRESHOLD CONTRACTS

6.1 FHG has more discretion on how to run procurement processes for contracts valued below the applicable Public Procurement Tendering Threshold. Despite this there are still some requirements of the PA 23 that apply:

6.1.1 FHG must submit a Below Threshold Tender Notice where a contract valued over £30,000 (including VAT) is advertised publicly (ie not via an approach to a single supplier or a "closed" tender list of two or more suppliers invited directly by FHG to tender);

6.1.2 FHG must still have regard to the National Procurement Policy Statement and not discriminate against suppliers from overseas suppliers with whom the UK has a procurement treaty;

6.1.3 FHG cannot use a shortlisting stage where the contract is valued below the supplies and services tendering threshold but must permit tenders from any supplier that wishes to tender (assuming the contract is "advertised publicly");

6.1.4 FHG must comply with any tendering or evaluation process it publishes (eg in an invitation to tender for the contract); and

6.1.5 FHG must submit a Below Threshold Contract Details Notice where a contract valued over £30,000 (including VAT) is entered into (even if it is not "advertised publicly").

7 PROCUREMENT OPTIONS

7.1 Options: There are various options as to how FHG can procure contract valued above the Public Procurement Tendering Thresholds that are not exempt from tendering (which applies only in very limited circumstances). Broadly these are:

7.1.1 FHG running its own procurement for the contract;

7.1.2 FHG running its own procurement to set up a new framework from which contract can be called off;

7.1.3 FHG running a joint procurement with another contracting authority for the contract;

7.1.4 FHG calling off the contract from an existing (either set up by FHG, by another contracting authority or by a buying club which is a contracting authority) where this is permitted; or

7.1.5 In exceptional and limited circumstances, by directly awarding a contract to a specific supplier.

7.2 Choice of procurement method: The choice of procurement method should be dictated by considerations of value for money, urgency and effectiveness. A procurement method must not be selected as a means of awarding a contract to a particular supplier selected by FHG staff outside of a formal procurement process.

8 BUYING CLUBS

Where a buying club is used, this must be done through Procurement with a report completed to record the decision and route to market.

9 TENDERING PROCESSES

9.1 Preparation:

9.1.1 Define requirements: Clearly define the scope, requirements, budget, and objectives for the procurement. Ensure the requirements are comprehensive and specific to avoid ambiguities as laid out in paragraph 5.25.1;

9.1.2 Risk assessment: Conduct a risk assessment to identify potential risks and mitigation strategies associated with the procurement, including conflicts assessments to identify any actual or potential conflicts of interest in the procurement;

9.1.3 **Stakeholder engagement:** Involve relevant stakeholders to gather input and ensure the requirements meet the needs of the organisation. Consider preliminary market engagement where appropriate;

9.1.4 **Tender documentation:** Prepare detailed contract and procurement documentation including the contract documents, instructions to bidders and participation and award criteria;

9.1.5 **Contract documents**: Ensure that contracts include clear terms and conditions regarding what is to be delivered, how and when it is to be paid for, performance standards, remedies for non-compliance, and termination clauses. The contract would typically include a specification, contract terms and conditions, payment provisions and KPIs:

9.1.6 **Service standards:** Define expected service standards and performance metrics and ensure they are included in the contract.

9.1.7 **Contract compliance:** Ensure the contract complies with all relevant laws and regulations including PA23 and appropriately protects FHG. Unless using one of FHG's standard contracts, consider whether a legal review is required; and

9.1.8 **Social value and sustainability:** Consider including social value and sustainability as either contract conditions or award criteria (with remedies for not achieving either defined requirements or tender proposals that were evaluated through the award criteria).

9.2 Best Value - 4Cs

In order to achieve the FHG's objectives and adhere to its principles, the scoping for procurements must include the following 4Cs:

Challenge	challenging whether the works, services and/or supplies are really needed, how they are specified and the way they are delivered;
Consult	consulting service users, staff and other stakeholders, where applicable, when specifying and developing the services and/or supplies;
Compare	benchmarking the quality, performance, cost and customer satisfaction for the works, services and/or supplies against other registered providers and similar organisations; and
Compete	using competition between providers to demonstrate and enhance value for money.

9.3 Determine the procurement procedure

9.3.1 Options: Under PA 23 there are basically 3 procedures that FHG can used for its procurements: These are:

- Open procedure;
- Competitive flexible procedure; and

- (in limited circumstances) direct award.

9.3.2 **Open procedure**: Under this procedure FHG issues an invitation to tender and evaluates all tenders. This can include pass / fail "conditions of participation" questions;

9.3.3 **Competitive flexible procedure**: FHG can use this procedure where FHG considers it "proportionate" to do so. FHG has considerable discretion over the design of this procedure as long as suppliers are treated equally and fairly and FHG sets out details of the procedure in the Invitation to Tender. Typically this procedure would include a shortlisting stage by reference to scores "conditions of participation" questions;

9.3.4 **Direct award:** There are very limited circumstances in which it is possible to award a contract directly to a particular supplier (eg urgent contracts to protect life as happened during the Covid pandemic) All proposals for direct award must be dealt with by Procurement. In most cases legal advice will be needed to confirm that a direct award is legitimate.

9.4 Advertisement

9.4.1 **Public Advertisement**: Where a public advertisement is required by this Policy, FHG should advertise the tender opportunity widely to ensure competitive bidding, including on FHG's website, relevant procurement portals, and where appropriate, trade publications;

9.4.2 **Compliance with PA 23**: Ensure compliance with any minimum advertisement periods and other requirements of Procurement Act 2023 for any covered procurements.

9.5 Submission and Opening

9.5.1 **Submission guidelines**: Provide clear instructions on how bids should be submitted, including format, deadline, and delivery method;

9.5.2 **Secure submission**: Ensure the security and confidentiality of submitted bids. Bids should be received and stored in a secure location;

9.5.3 **Opening procedure**: Open bids in accordance with specified procedures to ensure fairness and transparency by a member of the Procurement Team. When using a portal, this must include a downloadable audit trail of the IP address that opened it.

10 CONDITIONS OF PARTICIPATION

10.1 Due Diligence and Excluded and Excludable Suppliers

10.1.1 The PA 23 outlines specific mandatory and discretionary exclusion grounds to ensure that suppliers can be excluded if they do not meet certain minimum standards. These exclusion grounds are critical components of supplier due diligence and will be followed as part of the procurement procedure at FHG;

10.1.2 Under PA 23 suppliers are classified as either excluded or excludable. An excluded supplier must be excluded from FHG's procurements. FHG has a discretion whether or not to exclude an excludable supplier.

10.2 Debarment

10.2.1 Debarment is a formal process by which a supplier is excluded from participating in public sector procurement for a specified period;

10.2.2 There is a debarment list on the central digital platform indicating whether a supplier is an excluded supplier or an excludable supplier. This is managed centrally by the government;

10.2.3 Debarment can result (following investigation) from:

- **Mandatory exclusion grounds**: Automatic debarment, as an excluded supplier due to mandatory exclusion grounds; and
- **Discretionary exclusion grounds**: Decisions by relevant authorities based on discretionary exclusion grounds to label the suppler as an excludable supplier.

10.3 Mandatory Exclusion Grounds

10.3.1 Mandatory exclusion grounds require the exclusion of suppliers from the procurement process if they meet certain criteria. These grounds are designed to prevent public sector contracts from being awarded to suppliers involved in serious misconduct or illegal activities. Under PA 23, mandatory exclusion grounds include convictions for the following offences:

- **Corporate manslaughter or corporate homicide:** Conviction where the way in which a relevant organisation's activities are managed or organised causes a person's death and amounts to a gross breach of a relevant duty of care owed by the organisation to the deceased;
- **Terrorist offences**: Conviction for terrorist offenses or related activities;
- **Theft, fraud, bribery etc**: Conviction for bribing another person or being bribed, fraud (including fraudulent trading), theft, robbery, burglary and relating to stolen goods;
- **Labour market, slavery and human trafficking offences:** Convictions covering most serious forms of labour abuse as well as modern slavery and human trafficking. Also covers offences relating to the way in which an employment agency (or business) is carried out and the offence of refusing or wilfully neglecting to pay the National Minimum Wage;
- **Organised crime**: Involvement in organised crime;
- **Tax offences:** Conviction for cheating the public revenue and fraudulent evasion of tax;
- **Cartel offences:** Conviction where there has been a criminal cartel offence (this applies only to individuals);

- **Ancillary offences**: Convictions such as aiding and abetting, encouraging or assisting crime, inciting crime and conspiring or attempting to commit a crime in relation to the listed offences above;
- **National security:** Relates to contracts of a particular description where an appropriate authority (i.e. Minister of the Crown) determines that the supplier or a connected person poses a threat to the national security of the UK, and would pose such a threat in relation to public contracts of that description;
- **Misconduct in relation to tax**: Relates to certain tax non-compliance for example where a supplier or connected person has cheated the public revenue, knowingly concerned in or taken steps with a view to the fraudulent evasion of tax etc;
- **Competition law infringements**: Relates to where a decision has been made that there has been an infringement of the "Chapter I prohibition" (i.e. where decisions have or may have led to trade being affected within the UK) through participation in a cartel;
- **Failure to cooperate with investigation:** Relates to where an appropriate authority has given the supplier or connected person a relevant notice requesting documents or other assistance in connection with a debarment investigation and the relevant entity has failed to comply with such notice;
- **Equivalent overseas offences:** Offences similar to the above that were committee overseas.

10.4 Discretionary Exclusion Grounds

10.4.1 Discretionary exclusion grounds allow contracting authorities to exclude suppliers at their discretion if they meet certain criteria. These grounds provide flexibility to address a broader range of concerns. Under PA 23, discretionary exclusion grounds include:

- **Labour market misconduct:** For certain types of serious labour misconduct (note the potential overlap with the mandatory exclusion grounds for labour offences). The discretionary ground deals with those without a conviction. However, there are circumstances where this ground will apply post-conviction or where the misconduct would have resulted in a conviction if committed within the UK);
- **Insolvency, bankruptcy etc:** Where a supplier or connected person is subject to certain types of insolvency or pre-insolvency proceedings in the UK or similar procedures outside of the UK or (being an individual) is declared bankrupt;
- **Potential competition infringements:** This ground covers a broader range of infringements than are covered by the mandatory exclusion ground for cartel competition law infringements, as well as situations where a case is not prioritised for investigation or where a case is being investigated but that investigation has not yet concluded;
- **Professional misconduct**: This applies where a court decides or the decision-maker managing the debarment list considers that the supplier or a connected person of the supplier has engaged in professional misconduct which brings into question the supplier's integrity. In order for these grounds to apply, the misconduct must be serious enough to call into question the supplier's integrity. This would also cover situations where the supplier has failed to declare a conflict of interest that cannot be effectively mitigated;
- **Breach of contract**: This applies where a court has decided that the supplier has breached a public contract, and the breach was sufficient serious (for which the breach must lead to termination, damages or a settlement agreement);
- **Poor performance:** This applies where a supplier has not performed a public contract to the satisfaction of their client despite having been given an opportunity to improve their performance;
- **Acting improperly in procurement:** This applies where a supplier has acted improperly in a procurement and as a result has put itself at an unfair advantage in relation to the award of a public contract. This could include:
    - o failing to provide information requested by the contracting authority;
    - o providing information that is incomplete, inaccurate or misleading;

- improperly accessing confidential information;
- unduly influencing the contracting authority's decision making.

Note, where a supplier has acted improperly in relation to the particular procurement and has gained an unfair advantage in the procurement, the supplier must be treated as an excluded supplier and must not be allowed to process in that procurement. However, this discretionary exclusion ground also covers situations where a supplier has behaved improperly in a different procurement to the one being undertaken;

- **Environmental misconduct:** This covers where a supplier or connected person has been convicted of certain environmental misconduct offences. It applies to offences where the conduct constituting the offence caused or had the potential to cause significant harm to the environment; and
- **National security**: This covers where a decision-maker determines the supplier or a connected person poses a threat to the national security of the UK and the contracting authority has followed the process of notification to the Minister of the Crown in section 29 of PA 23. There is some overlap with the mandatory exclusion ground here.

10.5 Implementing Due Diligence with Exclusion Grounds

10.5.1 Supplier evaluation: This should involve:

- **Checking:** The starting point for exclusions is to check the Debarment List maintained on the central digital platform. In most cases Futures will not need to go beyond this;
- **Screening**: In appropriate cases FHG should also conduct thorough background checks to identify any mandatory or discretionary exclusion grounds;
- **Documentation**: FHG should maintain detailed records of the evaluation process and findings to support decisions;
- **Regular updates**: Update supplier information regularly to reflect any new developments that may affect their eligibility.

10.6 Risk Mitigation:

10.6.1 Contracts: FHG should include clauses in contracts to address potential exclusion grounds, such as termination for breach of legal or ethical standards;

10.6.2 Monitoring: FHG should also implement ongoing monitoring of suppliers to ensure continued compliance throughout the contract duration.

By adhering to the mandatory and discretionary exclusion grounds under PA 23 and utilising the debarment process, FHG will enhance the integrity and accountability of our procurement activities, ensuring that contracts are awarded to responsible and compliant suppliers.

10.7 Supplier Identification and Qualification

10.7.1 **Common Assessment Standard** (‘**CAS**’) The CAS must be used for works contracts (instead of the SQ) valued above the Public Procurement Tendering Threshold to assess suppliers’ financial stability, technical capacity, and legal compliance. This also covers compliance with health and safety and building safety legislation FHG’s responsibilities as a client to evaluate the competence of their contractors;

10.7.2 **Standard Selection Questionnaires (‘SQs’)**: For all procurements valued above the Public Procurement Tendering Threshold FHG should use SQs to gather initial information about suppliers, including their financial stability, technical capacity, and legal compliance. Note, PA 23 restricts a pre-qualification stage for assessing suppliers’ suitability where the contract is below-threshold regulated contract;

10.8 Financial Assessment

10.8.1 **Proportionality:** FHG may set conditions of participation in relation to a public contract only if it is satisfied that the conditions are a proportionate means of ensuring the suppliers have the legal and financial capacity to perform the contract. In assessing whether a condition is proportionate, FHG must have regard to the nature, complexity and cost of the public contract;

10.8.2 **Financial Statements**: Review financial statements, including balance sheets, income statements, and cash flow statements. Note, PA 23 restricts FHG from requiring the submission of audited annual accounts unless the supplier is required to have accounts audited under Companies Act 2006 (or overseas equivalent);

10.8.3 **Credit ratings**: Check the supplier’s credit rating through reputable agencies;

10.8.4 **Financial ratios**: Analyse financial ratios such as liquidity, profitability, and solvency ratios to assess financial health.

10.9 Technical Capability and Capacity

10.9.1 **Proportionality:** FHG may set conditions of participation in relation to a public contract only if it is satisfied that the conditions are a proportionate means of ensuring the suppliers have the technical ability to perform the contract. In assessing whether a condition is proportionate, FHG must have regard to the nature, complexity and cost of the public contract;

10.9.2 **Past performance**: Evaluate the supplier’s track record in delivering similar projects or services. This can include references and case studies as well as reviewing contract performance notices and/or contract termination notices published by other contracting authorities. Note, PA 23 prevents FHG from requiring that suppliers have been awarded a contract by a particular contracting authority;

10.9.3 **Technical resources**: Assess the availability and adequacy of the supplier’s technical resources, including equipment, technology, and skilled personnel;

10.9.4 **Quality Management Systems**: Ensure the supplier has robust quality management systems in place, such as ISO 9001 certification. Under PA 23 FHG must allow “equivalent” qualifications.

10.10 Legal and Regulatory Compliance

10.10.1 **Company registration**: Verify the supplier’s registration with Companies House and ensure they are not insolvent;

10.10.2 **Legal checks**: Conduct checks to ensure the supplier does not have unsatisfied court judgements;

10.10.3 **Licenses, permits and registrations**: Ensure the supplier holds all necessary licenses, permits and registrations to operate legally and to provide the works/services/supplies required;

10.11 Health and Safety and Building Safety Compliance

10.11.1 **Health and Safety Policies**: As part of the conditions of participation, review the supplier’s health and safety policies and procedures;

10.11.2 **Compliance records**: Check for any past violations or issues related to health and safety and building safety legislation including notices served by the Health and Safety Executive / Building Safety Regulator.

10.12 Social and Ethical Standards

10.12.1 **Modern Slavery Act compliance**: As part of the conditions of participation, ensure the supplier complies with the Modern Slavery Act 2015 and review their anti-slavery and human trafficking policies;

10.12.2 **Ethical standards**: As part of the conditions of participation, assess the supplier’s adherence to ethical standards, including labour practices and environmental policies;

10.12.3 **Corporate Social Responsibility (CSR)**: As part of the conditions of participation, evaluate the supplier’s CSR initiatives and commitments.

10.13 Risk Management

10.13.1 **Risk assessment**: As part of the conditions of participation, identify potential risks related to the supplier’s performance, financial stability, and compliance;

10.13.2 **Conflicts of interest:** Take all reasonable steps to identify, and keep under review, any actual or potential conflicts of interest and ensure that a conflict of interest does not put a supplier at an unfair advantage or disadvantage;

10.13.3 **Mitigation plans**: As part of the conditions of participation, ensure the supplier has risk mitigation plans in place to address identified risks;

10.13.4 **Insurance coverage**: Verify that the supplier has or is able to obtain the insurances required by the contract, including public liability, employer’s liability and, where appropriate, professional indemnity insurance. Note, PA 23 restricts FHG from requiring insurances to be in place before the award of the contract;

10.14 Reputation and Reliability

10.14.1 Reputation checks: Conduct reputation checks through industry sources, customer reviews, and media reports. Note: For contracts valued above the Public Procurement Tendering Threshold, these may not be used to exclude a supplier that otherwise meets the conditions of participation. For contracts valued below the Public Procurement Tendering Threshold, any right for FHG to exclude a supplier must be clearly set out in the Invitation to Tender or equivalent;

10.14.2 Background checks: As part of the conditions of participation, perform background checks on key personnel within the supplier's organisation;

10.14.3 Performance monitoring: Implement ongoing performance monitoring to ensure the supplier meets contractual obligations. Note, where the value of the contract exceeds £5 million, FHG must set and publish at least three key performance indicators.

10.15 Environmental Sustainability

10.15.1 Environmental policies: As part of the conditions of participation, review the supplier's environmental policies and sustainability practices;

10.15.2 ISO 14001 certification: Where FHG requires this under the contract, as part of the conditions of participation, check if the supplier is certified under ISO 14001 (or equivalent) for environmental management. Exclude the supplier where FHG requires this under the contract;

10.15.3 Sustainability Initiatives: As part of the conditions of participation, where relevant, assess the supplier's initiatives to reduce environmental impact, such as waste reduction and energy efficiency.

11 EVALUATION

11.1.1 Evaluation Panel: Establish an evaluation panel with relevant expertise and in relation to which conflicts of interest have been identified and mitigated. Keep records of declaration of interest forms from panel members. Train panel members in the evaluation process, the award criteria and how to apply them;

11.1.2 Award Criteria: Assess bids against predefined criteria, including price, quality, technical merit, customer service, and social value and sustainability. In accordance with s23 PA 23, ensure award criteria:

- are related to the subject matter of the contract;
- are clear, measurable and specific;
- do not require specific standards, or refer to specific products or manufacturers without allowing for equivalents; and
- are proportionate having regard to the nature, complexity and cost of the contract.

11.1.3 Weighting: Award criteria should be weighted according to their importance;

11.1.4 Scoring methodology: Use a consistent and transparent scoring methodology. Document the rationale for scores awarded to each bid including why that bid did not receive the score above or below the score awarded;

11.1.5 Clarifications: Seek clarifications from bidders if necessary to understand their bid or if it contains an "obvious error (eg misplaced decimal point, wrong year in a delivery date). Ensure all bidders are treated equally and provided with the same information unless there is a justifiable reason not to do so;

11.1.6 Decision-making: Identify which supplier has submitted the most advantageous bid based on the award criteria. Ensure the decision is well-documented and justified.

11.2 Evaluation records, assessment summaries and debrief

11.2.1 Record keeping: Ensure that all evaluation records and scoring sheets are complete and accurate;

11.2.2 Compile feedback: Gather detailed feedback from the Evaluation Panel on each bid, focusing on each of the award criteria;

11.2.3 Assessment summaries: Before publishing a Contract Award Notice (which must be done where FHG enters into a public contract), FHG must provide an assessment summary to each supplier that submitted a valid tender. This must set out information about FHG's assessment of their tender. For all bidders other than the successful supplier FHG must also provide an assessment summary of the successful supplier's tender

11.2.4 Timely communication: Notify all bidders of their outcome and send assessment summaries as soon as reasonably possible and at the same time.

11.2.5 Debriefing meetings: Suppliers do not have any right to a debriefing meeting. However, offering a debriefing where a supplier requests on can helps a supplier understand the strengths and weaknesses of their bid, foster good relationships, and enhance future competition. It can also provide a supplier wishing to challenge the procurement with more information with which to do so. Where FHG is prepared to offer a debrief meeting this should ideally be as soon as possible post-award (e.g., within 30 days). Note that if additional information is provided to the supplier during a debriefing meeting this may extend the period within which the procurement may be challenged to 30 days from the date of the meeting.

11.3 Assessment Summaries - Key Areas to Cover

11.3.1 Legal Considerations: Ensure that for procurements of contracts valued above the Public Procurement Tendering Threshold procured via a tender process, the assessment summary complies with legal requirements under PA 23;

11.3.2 Award Criteria: Either set out the award criteria used to evaluate the bids in full or summarise them and include a cross reference to where suppliers can see them in full;

11.3.3 Compliance: Confirm if the bid met all mandatory requirements and passed any "pass / fail" requirements. Highlight any areas of non-compliance**.** If the bid is non-compliant or does not pass any pass/fail criteria the assessment summary does not need to include any other assessment of the supplier's bid;

11.3.4 Bidder scores and reasons: Include the bidder's score for each of the award criteria (including any sub-criteria that are scored separately) and their total score. For each of the award criteria (including any sub-criteria) explain why that score was awarded by reference to the supplier's bid. FHG should include enough information to understand the reason for the score that was awarded. This should reference relevant information in the tender and not just repeat the award criterion. Where appropriate explain why the bid did not score the mark above the mark awarded. There are some good examples of what is required in the Cabinet Office guidance on Assessment Summaries available at Guidance: Assessment Summaries (HTML) - GOV.UK (www.gov.uk);

11.3.5 Confidentiality and Sensitivity: Protect confidential information: Avoid disclosing proprietary or confidential information about other bidders (including the winning bid);

11.3.6 Record keeping: Documentation: Keep thorough records of the bidder feedback process to demonstrate compliance and accountability.

12 CONTRACT AWARD PROCEDURES

12.1 Contract Award Notice and Standstill

12.1.1 Notification: After the assessment summaries have been provided, FHG must publish a Contract Award Notice setting out that FHG intends to enter into contract;

12.1.2 Standstill period: FHG must not enter into a public contract before the end of the mandatory standstill period (or if later, the end of the standstill period provided for in the contract award notice). The mandatory standstill period is 8 working days from the date the contract award notice is published.

12.2 Contract Details Notice

12.2.1 Within 30 days of FHG entering into a public contract, FHG publish a Contract Details Notice;

12.2.2 If the Contract has a value over £5 million (including VAT) FHG must also publish a copy of that contract. Commercially sensitive information can be removed from the Contract before it is published.

13 CONTRACT MANAGEMENT

13.1 Contract Finalisation

13.1.1 **Contract Finalisation**: Finalise the contract on the basis of the draft provided by FHG at the start of the procurement. No substantial changes from the contract terms publishing at the start of the competitive procurement process may be made. The contract should incorporate the successful supplier's tender submission but not the ITT;

13.1.2 **Contract Signature**: Obtain signatures from both parties, ensuring that where it is required to be executed as a deed this is done correctly. Date the contract once the last signature has been added (usually that of FHG). Ensure all parties have a clear understanding of their responsibilities and obligations;

13.1.3 **Publication**: FHG must publish a copy of the contract on the central digital platform within 90 days of the contract being entered into. Note, FHG will need to consider if any redaction to that contract is required on the basis that it contains sensitive commercial information and there is an overriding public interest in its being withheld from publication.

13.2 Monitoring

13.2.1 **Performance Monitoring**: Regularly monitor contractor performance against the contract requirements and in accordance with PA 23. Use key performance indicators (KPIs) and service standards to measure performance. Note that under the PA 23, FHG must set and publish at least 3 KPIs before entering into a public contract with an estimated value of more than £5 million (including VAT) unless FHG considers that the supplier's performance under the contract could not be appropriately assessed by KPIs;

13.2.2 **Site Visits**: Conduct site visits and inspections as necessary to verify compliance with the contract;

13.2.3 **Issue Resolution**: Address any issues or non-compliance promptly. Document any deviations from the contract and corrective actions taken.

13.3 Review and Reporting

13.3.1 **Regular Reviews**: Conduct periodic reviews of contract performance. Involve relevant stakeholders in the review process;

13.3.2 **Performance Reports**: Prepare performance reports summarizing contractor performance, issues encountered, and resolutions. Share these reports with senior management and the Board;

13.3.3 **Continuous Improvement**: Document lessons learned and apply them to future procurement activities. Use feedback to improve procurement processes and contract management practices;

13.3.4 **Publication**: FHG must publish a Contract Performance Notice setting outs its assessment of the supplier's performance against KPIs at least once every 12 months during the lifecycle of the contract or where the relevant circumstances arise (refer to paragraph 4.3 for more information).

13.4 Contract Closure

13.4.1 **Final Review**: Conduct a final review of the contract to ensure all deliverables have been met and all issues resolved;

13.4.2 **Feedback**: Obtain feedback from both the contractor and internal stakeholders on the procurement process and contract performance;

13.4.3 **Close-Out Report**: Prepare a contract close-out report documenting the performance, issues, resolutions, and lessons learned. Archive contract documentation for future reference;

13.4.4 **Publication:** FHG must publish a Contract Performance Notice on termination of the contract setting outs its assessment of the supplier's performance against KPIs.

14 PROCUREMENT INTERNAL KEY PERFORMANCE INDICATORS (KPIS)

14.1 **KPIs:** To ensure the effectiveness and efficiency of procurement activities, FHG will monitor and evaluate its own procurement performance using the following KPIs:

14.1.1 Procurement Process Efficiency

- **Tender Process Time**: Measure the average time taken to complete the tender process from the publication of the notice to contract award;
- **Cost:** Track the total amount payable compared to the initial estimated "should cost" amount (to measure accuracy in estimates against market research);
- **Procurement Cycle Time**: Measure the total time taken from identifying the need to the delivery of works, goods or services to contract signature.

14.1.2 Supplier Performance:

- **On-Time Delivery**: Percentage of goods or services delivered on or before the contractual delivery date;
- **Quality of Goods/Services**: Number of instances where goods or services met or exceeded the quality standards specified in the contract;
- **Supplier Compliance**: Percentage of suppliers compliant with the contract terms, including legal and regulatory requirements.

14.1.3 Contract Management:

- **Contract Fulfilment Rate**: Percentage of contracts valued above the Public Procurement Tendering Threshold that were completed in accordance with the contract terms advertised at the outset of the procurement including timelines and deliverables;
- **Issue Resolution Time**: Average time taken to resolve issues or disputes arising during the contract period under contracts valued above the Public Procurement Tendering Threshold;

- **Performance Reviews**: Frequency and outcomes of periodic performance reviews conducted with suppliers.

14.1.4 Sustainable and Ethical Procurement:

- **Sustainability Initiatives**: Number of and annual value of sustainability initiatives included in procurement contracts;
- **Social Value Contribution**: Assessment of the social value contributions made by suppliers, such as local employment and community development.

14.1.5 Stakeholder Satisfaction:

- **Internal Stakeholder Satisfaction**: Feedback from internal stakeholders on the procurement process, efficiency, and outcomes;
- **Supplier Satisfaction**: Feedback from suppliers on the fairness and transparency of the procurement process and contract management.

14.1.6 Compliance and Risk Management:

- **Audit Compliance Rate**: Percentage of procurement activities found to be compliant during internal and external audits;
- **Risk Mitigation**: Number and severity of risks identified and mitigated during the procurement process.

14.2 Monitoring and reporting: Regular monitoring of these KPIs will help FHG to identify areas for improvement, ensure compliance with procurement policies and legislation, and enhance overall procurement performance. Performance reports will be reviewed by senior management and the Board to support strategic decision-making and continuous improvement in procurement practices.

15 REVIEW AND IMPLEMENTATION

15.1 Triennial review

15.1.1 Timing: This Policy will be reviewed on a three-year basis, with interim reviews to be undertaken when there are significant legislative or regulatory changes that may affect it or any significant changes to the Group's own corporate framework documents;

15.1.2 Responsibility: The Head of Procurement, Director of Finance or the Group Finance & Resources Director will instigate reviews. The Board will be ultimately responsible for ensuring reviews have been undertaken.

15.2 Continuous improvement

15.2.1 Policy Updates: FHG will review and update procurement policies and practices based on feedback from bidders;

15.2.2 Stakeholder Engagement: FHG will engage with industry stakeholders to gather broader feedback and improve procurement strategies;

15.2.3 **Feedback Mechanism**: FHG will collect feedback from staff, suppliers, and other stakeholders, including through debrief meetings to identify areas for improvement;

15.2.4 **Performance Metrics**: FHG will monitor internal key performance indicators (KPIs) to measure the effectiveness of procurement activities;

15.2.5 **Policy Updates**: FHG will make necessary updates to this Policy to reflect changes in legislation, best practices, and organizational goals;

15.2.6 **Procurement Policy Notes (PPNs): FHG will** implement measures and practices recommended in PPNs (where appropriate) to enhance procurement efficiency and compliance.

15.3 **Assessment of Compliance:** FHG will conduct **r**egular audits and reviews to ensure compliance with this Policy.

15.4 Staff training

15.4.1 **Areas for training**: All staff involved in procurement will receive appropriate training and development to ensure they are knowledgeable about:

- Legislation and FHG's legal and regulatory obligations:
- Best practice;
- Changes in legislation;
- FHG's Procurement Procedures: (including this Policy)
- Ethical and sustainable procurement standards.

15.4.2 **Frequency:** Regular training sessions and updates will be provided to ensure staff remain compliant and informed.

15.5 Responsibilities of the Executive

15.5.1 **Procurement Champion**: An Executive "Procurement Champion", specifically the Group Director of Finance & Resources will have prime responsibility for ensuring the Group Procurement Policy is implemented;

15.5.2 **General responsibilities of the Executive**: The Executive will:

- Ensure there is a strategic approach to procurement, and that it is not seen as a narrow based technical issue;
- Define the contribution of procurement in driving efficiencies, sustainable development, improving services and meeting the objectives of the Corporate Plan;
- Oversee arrangements for procurement and contract management to ensure they are operating effectively;
- Review the effectiveness of procurement exercises to measure actual versus anticipated outcomes;
- Review and where necessary challenge, Value for Money and Risk Assessments;

- Ensure compliance with all appropriate legislation, financial regulations and regulatory guidance; and
- Review this Procurement Policy