Title	PROCUREMENT POLICY		
cairn **Customer First, Excellence, Accountability, One Team, Respect**		**Policy Category**	Finance
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This policy applies to:

- Cairn Housing Association
- Pentland Community Enterprises

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1. Policy Statement

This policy provides guidance and instruction on how to procure goods, works and services in full compliance with Cairn's Procurement Strategy and the regulations governing public sector procurement in Scotland.

2. Policy Scope

This policy outlines what measures are required to achieve the needs and desired outcomes of a procurement project, while complying with our procurement strategy and the legislation that informed it.

This policy applies to all personnel with responsibility for procuring goods, works or services and for instructing / approving such procurements. It applies to the procurement activities of all departments and includes the processes for purchases where no formal tender exercise is required.

3. Legal & Regulatory Compliance

List any legal guidance being used to inform the policy and its compliance with and regulations standards or guidance.

Legal Compliance

Relevant Legislation	Scope
Procurement Reform (Scotland) Act 2014	Outlines the responsibilities and accountabilities of public bodies, including a duty to consider how procurement can positively impact local areas. Also defines the requirements for procurement strategies and reports.
Procurement (Scotland) Regulations 2016	Details general and specific duties under the Procurement Reform (Scotland) Act

Regulatory and Other Guidance

Guidance	Scope
The Procurement Journey	A structured process that guides public sector organisations through all stages of purchasing goods and services.
Procurement Strategy	Details the strategic procurement aims of the organisation and the means of ensuring regulatory compliance

4. Reporting Requirements

This policy informs biannual corporate social responsibility report and annual procurement reports, the latter being reportable to the Scottish Ministers when total regulated procurement equals or exceeds £5million per annum.

5. Roles and Responsibilities

Role Title	Responsibilities	Training Requirements
Director of Finance & People Services	Ensuring and enabling the efficient and cost-effective acquisition of goods and services for the organisation	In-house training by Procurement Officer, user guides and videos on Public Contracts Scotland website
Department / Project Managers	Planning procurement needs, overseeing tender evaluation and vendor selection, managing contracts, ensuring procurement activities are aligned with project timelines and budget constraints	In-house training by Procurement Officer, user guides and videos on Public Contracts Scotland website
Procurement Officer	Management of the procurement process, development and maintenance of supplier relationships, negotiating contracts and ensuring compliance with statutory regulations and internal processes	Continuing professional development in support of membership of the Chartered Institute of Procurement and Supply

6. Associated Policies

Procurement Strategy
Procurement Handbook
Business Plan 2024-27

7. Policy Objectives

The overarching aim of procurement is to ensure that goods, works and services of the right quality and right quantity are delivered to the right place, at the right time, for the right price. Therefore, Cairn Housing Association believes it is essential that a proper and consistent approach is used in any procurement exercise to obtain goods, services or works on its behalf. This policy is enabled by our Procurement Strategy and is designed to ensure Cairn complies with the relevant legislation, regulations and guidance which regulate our procurement activities. This policy is an essential part of Cairn's system for internal control, as it ensures that procurement activities are properly authorised, executed and monitored to comply with the standards of openness, transparency and propriety expected of a Scottish public body in its selection of suppliers and award of tenders.

This policy applies equally to the procurement of works, goods and services, the appointment of consultants and the purchase of office furniture, equipment and supplies.

As well as compliance with the legal and regulatory requirements outlined below, the objectives of this policy are to:

- Deliver Value for Money - all procurement will be based on obtaining the best value for money, taking into account both quality and cost, including the social benefits which may be obtained. Contracts will normally be awarded to the provider offering the Most Advantageous Tender (MAT), balancing quality and cost. Occasionally, non-competitive actions to secure works, services and / or supplies may be appropriate.

- Ensure Sustainable Procurement - effective procurement will help to support the raising of awareness of sustainability issues amongst staff and customers, meeting environmental standards, increasing energy efficiency, reducing emissions and aiming to tackle fuel poverty. For suppliers, requirements will vary according to the commodity being procured but we expect demonstrations of compliance with good sustainability practice throughout the supply chain.

- Establish Community Benefit – this will be identified and, where appropriate, included within our procurement processes in cases where we expect our expenditure to exceed a £4 million threshold over the life of the contract. Where appropriate and feasible, Community Benefits will be considered on an individual basis for contracts below this threshold level.

8. Legal Framework

Procurement activity is governed internally by Cairn's financial regulations, procurement strategy and procurement policy, and externally by procurement law, specifically:

- The Procurement Reform (Scotland) Act 2014
- The Public Contracts (Scotland) Regulations, 2015 and 2016
- The World Trade Organisation Agreement on Government Procurement (GPA)
- The statutory guidance issued by the Scottish Government and the Scottish Housing Regulator

As a Registered Social Landlord, Cairn is deemed to be a body governed by public law and will comply at all times with these regulations, while ensuring all bidders for all tenders are treated equitably, without discrimination against or undue favour towards certain economic operators.

Under the terms of the Procurement Reform (Scotland) Act 2014, a contracting authority which is likely to spend in excess of £5million or more on "regulated procurements" (as defined in the 2014 Act) is required to have a Procurement Strategy in place. This strategy should be published on the contracting authority's website and the Scottish Ministers should be notified of the publication of the strategy by sending an email to ProcurementStrategies@gov.scot, attaching a copy of the strategy or including a link to where it can be accessed.

While there is no legal requirement for a contracting authority to have or publish a procurement strategy if its annual regulated procurement expenditure is under the £5m threshold, it should also be noted that even if no procurements in a financial year were regulated but the total value of procurements was £5 million or more, public bodies are

still required to prepare and publish a procurement strategy, as per the requirements of the Act.

9. Anticipated Outcomes of the Policy

This Procurement Policy supports Cairn's mission of providing quality affordable homes and services throughout Scotland, as well as delivering our value for money objective. By executing this policy, Cairn will adhere to its values of

- Customer First
- Excellence
- Accountability
- One Team
- Respect

All procurement for goods, services and works must be in response to business needs and proportionate to the size, scale and duration of the requirement. Compliance with this policy will achieve these aims by ensuring:

- All regulated procurement is carried out in accordance with the Procurement Reform (Scotland) Act 2014
- There is a clear audit trail associated with the procurement of all contracts whether deemed regulated or not
- Competitive forces achieve best value through direct competition and continual review
- Community Benefit Requirements are applied to regulated contracts, including those under the £4million threshold
- Procurement activity is driven by clearly defined outputs and results
- Procurement generates the most advantageous balance of quality and cost
- Procurement is timely and subject to the project management techniques outlined in the Procurement Cycle (see Glossary)
- The burden on administrative and monitoring resources is minimised
- Reviewing, challenging, adapting and adopting new processes is encouraged
- Innovation and new technology are embraced
- Simple or routine transactions are expedited
- Flexibility in developing alternative procurement and partnership arrangements, where best value can be demonstrated
- Competition between high quality tenderers is encouraged
- Compliance with Cairn's regulatory framework and all applicable legislation, and;
- Above all, transparency and accountability

We will respond quickly to changes in procurement-related legislation and ensure that staff who are affected are informed.

All procurement activities and decisions will be undertaken by suitably skilled staff within the organisation, approved by the relevant departmental director and supported by the Procurement Officer. We will consult with tenants, staff and key stakeholders in major procurement decisions for goods, works and services, where appropriate.

We will regularly review our procurement performance in line with legislation, our financial procedures and the wider market to ensure that we continuously improve, perform and meet tenants' needs.

We will build sustainability into all our procurement, taking into account the whole life costs of assets, benefits to the community, etc. in the evaluation of any bid. We will make all procurement decisions in such a way as to minimise any detrimental effect of the procurement on the environment.

We will benchmark and review the sustainability of existing agreements for goods and services in the wider market, ensuring all purchases are made available to an appropriate degree of open competition and assessing all sourcing and selection decisions in terms of equal treatment, non-discrimination and with regard to quality and whole-life cost.

We will endeavor to ensure that our procurement routes are considered against other housing sector procurement techniques for cost effectiveness and suitability.

We will establish that our quality and service expectations are understood by the supply chain by benchmarking and conducting effective contract performance management reviews with key suppliers and contractors, seeking feedback from tenants, staff and other stakeholders.

We will work with local businesses to assist them to bid for our contracts, letting companies know when our contracts are to be tendered.

We will check that the requirements made of potential suppliers are on a scale which is consistent and fair to the size and type of the contract.

We will continue to participate, wherever appropriate, in 'collaborative purchasing arrangements' with providers such as (but not limited to) the Scottish Procurement Alliance (SPA), Procurement for Housing (PfH) and Scotland Excel, participating when advantageous. Where appropriate, Cairn will take advantage of consortium and other external procurement initiatives where such involvement improves value for money and / or minimises duplication of effort, allowing our resources to be released to frontline service provision.

We will have in place standard templates and guidance for use by staff to prepare tenders, prior information notices and business cases.

We will explore and encourage other new and innovative partnering arrangements, including collaborating with other RSLs and specialists to utilise and learn from one another's skills and knowledge base.

10. Context

Scottish procurement regulations are a devolved responsibility of the Scottish Government and while much of Scotland's public procurement legislation comes from European Directives, references to EU Directives have been removed from domestic legislation following the UK's exit from the European Union.

Legislatively, Cairn's procurement activities are guided by:

- **The World Trade Organisation Agreement on Government Procurement (GPA),** which creates a multilateral framework of balanced rights and

obligations in respect of government procurement.

- **The Procurement Reform (Scotland) Act 2014,** which establishes the national legislative framework for sustainable public procurement
- **The Procurement (Scotland) Regulations 2016,** which provides the rules for Lower Value Regulated Contracts

The application of these regulations to public sector procurement can be outlined as follows, with further information available in the **Procurement Handbook**. Please note the values quoted refer to the total value of contracts over their duration (including optional additional years), not their cost per annum:

- **Sub £250k works and sub £50k goods / services (contracts for small works or shorter-term contracts for goods and services):** Contracts up to these values are not regulated but must still be awarded on the basis of the most advantageous tender (MAT), meaning quality evaluation criteria should be applied; quality, technical merit, service delivery, timescales, sustainability, and other relevant factors may be considered alongside price. For most procurements between £15k and the £50k / £250k limits, the Quick Quote facility on the Public Contracts Scotland web portal will be used. For sub £15k procurements, refer to the guide on page 8
- **£250k to £2m (works only):** Works contracts in this price range are not regulated by the 2014 Act. However, the need to ensure value for money means that the same process that applies to regulated contracts should be followed and a quality element must be included in the evaluation and award of each procurement.
- **Goods / services over £50k and works over £2m:** Contracts over these values are regulated by the 2014 Act and must be advertised on the PCS portal. The majority of procurements at this level will be single-stage, open tenders (see Glossary)
- **Larger Contracts over the threshold confirmed by The Public Contracts (Scotland) Regulations 2015 (currently £207,720 inc vat for goods and services, and £5,193,000 inc vat for works):** These are also regulated as above, but with the additional requirement that the potential for delivery of community benefits must be considered (if community benefits are not required, the reasons for this must be included in the Contract Notice). Contracts over these thresholds should also be advertised on the **UK e-Notification Service**, which can be done by ticking the appropriate option on the PCS portal. The majority of procurements at this level will be two-stage open tenders, using a Pre-Qualification Questionnaire (PQQ) at the first stage to build a shortlist, followed by an invitation to tender to the shortlisted bidders at the second stage.



From PCS portal, showing option to post tender on PCS portal only or to include UK e-Notification Service

- **Purchases below the Scottish Lower Value Regulated Contracts** threshold will be procured in accordance with Cairn's Financial Procedures, following the same overall procurement principles in terms of transparency, openness, probity and value for money, and in a manner proportionate to the nature and scale of smaller contracts or purchases.

11. Management of Risk

As with all commercial activities, procurement requires risk to be identified, quantified and controlled. It is important to remember that procurement risks can be measurable (most notably costs) and immeasurable (business continuity, reputational damage, etc) but both are equally important and require clearly defined and implemented controls to mitigate them so far as is reasonably practicable.

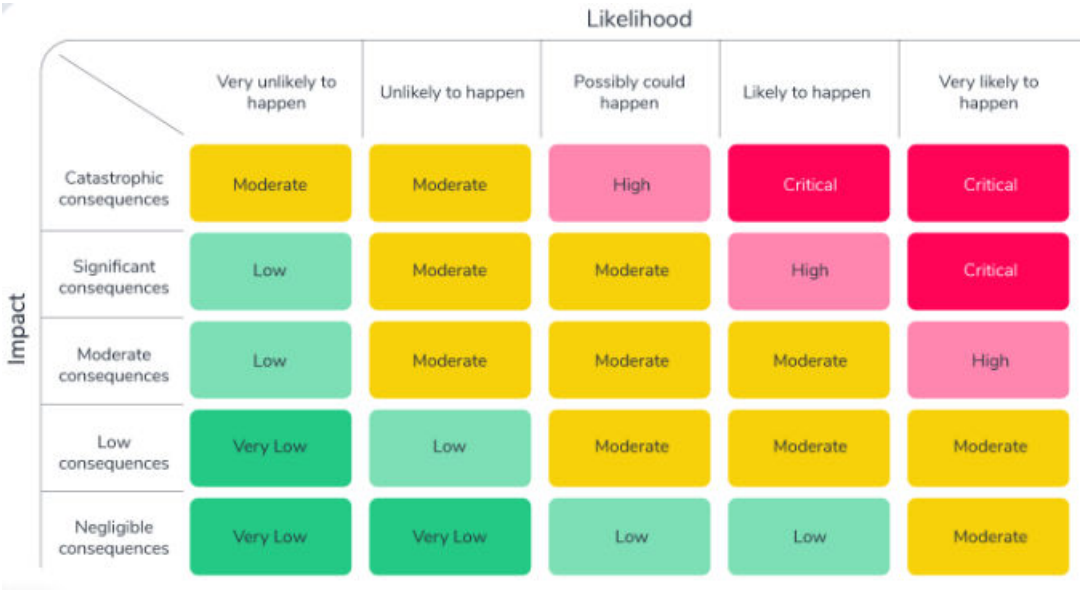
The key risks associated with procurement are:

- **Price risk**: Paying over the odds for goods / works / services; not achieving best value; claims of financial mismanagement
- **Contractual risk**: Contract terms are unfavourable; added value not achieved; obligation to order more goods / services than are required; contract no longer fit for purpose; inability to terminate contract if required
- **Performance Risk**: Goods / services do not meet specified requirements; deliveries late or short; poor customer satisfaction
- **Supplier Reliability**: Supplier enters liquidation or ceases trading mid-contract; Cairn suffer reputational damage through its association with certain suppliers

It is essential that the risks associated with procurement continue to be properly assessed and managed. This will be particularly important when changing service providers and will need to be considered in respect of initial costs, ongoing costs and service levels. The key issue is not how risk should be allocated, but how it should be managed by Cairn collectively.

Management of risk involves having processes in place to monitor risks and access reliable current information about risks in order to determine the likelihood of a risk occurring, its potential impact and the effectiveness of control measures. The five key stages of risk management are:

Identify the Risk: What is the risk (Contract has expired, service level agreements no longer apply, costs have increased, etc.)
Analyse risk: What are the potential consequences (failure to comply with statutory regulations, loss of income, reputational damage, business continuity, etc.)
Evaluate the risk: Determine the likelihood of a service failure occurring and its potential impact, using a risk matrix (example below)
Treat the risk: Put control measures in place (re-tender the contract, negotiate an extension or revised terms, etc.) and use the risk matrix to evaluate the control measures
Monitor and revue the risk: Regularly assess supplier performance and the suitability of the specification, evaluating any amendments with the risk matrix



Risk Evaluation Matrix

When assessing the level of risk involved relating to procurement, it is important to consider the type and length of the contract, external market conditions and who within Cairn (be that a department, group or individual) is best able to manage the risk. It is also important to refer to other documents that may include relevant control measures, including but not limited to:

- Financial Regulations Policy and Schedule of Financial Delegated Authority
- Anti-Fraud, Corruption and Bribery Policy
- Code of Conduct
- Entitlements, Payments and Benefits Policy

12. Types of Procurement

As outlined in Section 4, the procurement procedure to be adopted typically depends on the value of the works, goods or services to be procured. It should be noted that as Cairn reclaims only a negligible amount of Value Added Tax (VAT) all values stated herein are inclusive of any likely VAT or Insurance Premium Tax (IPT). Note that all values relate to the calculation of the whole contract value (including optional additional years), irrespective of the length of the contract or individual drawdowns.

Up to £5,000	A purchase order or works order must be completed and then authorised by the appropriate budget holder.
Above £5,000 and up to £15,000	Minimum 3 quotations, unless of a specialised and limited supply – where a business case justification is required to the Senior Management Team.
Goods and services above £15k and up to £50k; Works above £15k and up to £250k	Minimum 3 invitations to quote, submitted through Public Contract Scotland as a 'Quick Quote' and selecting only from suppliers who have completed a profile. The order will be awarded to the organisation whose proposal

	is most advantageous to Cairn with value, price and other relevant factors taken into consideration.
Goods & Services above £50k / Works above £250k, up to GPA thresholds	Competitive single-stage tender via Public Contract Scotland using the Single Procurement Document (SPD) Scotland.
Above GPA thresholds	Two stage tender process using the Single Procurement Document (SPD) Scotland.
Note: the above limits are the minimum required and, subject to the nature of the supply the Procurement Officer may determine that a higher process is the best option for a lower value supply e.g. two-stage process for a £75,000 contract. The application of risk analysis may also determine that a higher scrutiny route to market may be required for comparatively low value contracts, such as low-cost consultation services that are strategically important for business planning.	

All Contracts are formally reported to the Board of Management and registered in the contract register.

Cairn will award contracts on the basis of the 'most advantageous tender' (MAT), applying price and quality evaluation where appropriate and in compliance with Scottish public sector procurement regulations.

Procurement by non-competitive proposal may only be used when the awarding of the contract is not feasible due to the small value of the contract or the limited availability of suppliers of specialised works, goods or services. In such cases, a justification must be made via a **business case** for approval by the Senior Management Team.

13. Procurement Frameworks

Procurement Frameworks, such as those offered by the Scottish Procurement Alliance, Procurement for Housing, Scotland Excel and the Crown Commercial Service, enable buyers to procure goods or services in full compliance with public sector procurement regulations, without running a (potentially lengthy) tendering process. Framework members cover multiple trades and services and have each passed extensive qualifying criteria to join the framework. They are also regularly audited to maintain their membership.

This means frameworks have the capacity to expedite the procurement process, by providing access to suppliers who – through their compliance with the framework's membership criteria – have already passed many of the pre-qualification checks that form part of the tendering process. The framework provider can offer standardised procurement templates and conduct mini competitions, inviting its members to bid for the services required by the buyer. Direct appointment of contractors / suppliers is also possible, based on price and quality league tables of suppliers provided by the framework. Terms and conditions are also pre-determined, saving time and resources that would otherwise be spent on contract negotiations (although some frameworks also offer the option for buyers to apply their own contracts or terms).

This does not mean, however, that frameworks offer the best route to procuring all goods and services. Estimates on the expenditure of RSLs via frameworks varies between 10%

and 40% *(source: Inside Housing)*, meaning at least 60% of social housing procurement is still made via conventional tendering processes.

Given the strategic nature of framework agreements, their use in the procurement of goods, services or works should only be authorised at management level or higher, with the decision based on the following factors:

Factors	Considerations
Duration of the contract	Longer term, typically 3 to 5 years, during which time the buyer will require a number of sets of works / services from the same provider (a 'draw-down' contract)
Strategic importance of the contract	Determined by the risk to business continuity, which can be quantified via the risk register
Availability of requires goods / services	May only be available via the framework, or framework support may be required for services of which the buyer has little knowledge or experience
Risks posed by project delays / supply interruptions	Risk of failing to meet statutory deadlines, customer service standards, etc
Available time to complete project	Could time needed for conventional tendering processes lead to missed targets, non-compliance, etc?

Frameworks should **not** be used for:

- Services where technologies or specifications may change before the contract's end, denying the buyer access to better value or higher quality services
- The terms and conditions of the framework are unfavourable or do not align with Cairn's objectives
- Shared risk among framework members is unacceptably high
- Competition or choice is more restricted than can be achieved via an open tender process

14. Approval & Authorisation

Budget holders must ensure that all goods, services and work that they procure comply with approved annual budgets.

Development projects may be approved by the Board on a scheme-by-scheme basis and confirmation will be provided how the scheme fits within the approved Business Plan parameters and the Scottish Government's Strategic Housing Investment Plan (SHIP).

The following methods of ordering goods, services and works are used:

- Purchase order or works order;
- Letter of appointment e.g. consultants;
- Quotation
- Open tender process (one- and two-stage)
- Framework mini-competition

- Framework direct award

Approval for procurement should be sought from the following personnel, dependent on the value of the procurement:

Purchase Order, Trade Card and Invoice Approval

Value	Approver
£0 – 500	Assistants / Homeworks Trades
£0 – £5,000	Officer
£0 - £15,000	Manager / Property, Compliance, Maintenance Supervisor / Senior Maintenance Officer
£0 – £50,000	Service Lead / Head of Service / Property Managers (Asset, Maintenance, Property Investment, Development and Regeneration)
£0 - £500,000	Director
£0 - £1,000,000	Chief Executive
£0 > £1,000,000	Chief Executive AND Chair or Vice Chair

The responsibility for the various steps involved in the purchasing of goods and services will be separated to avoid the risk of impropriety. Full details of authorisation limits and segregation of duties is defined within the Schedule of Delegated Authorities contained within the Financial Procedures

15. Code of Conduct

All procurement activity should be ethical and safeguarded from corruption or fraudulent activity and any Cairn personnel involved in the procurement process or in the tendering of our contracts should comply at all times with the principles of impartiality, independence and integrity. Procurement decisions made are in the best interests of Cairn and not the individual. No employee shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest is declared or identified. Such a conflict would arise when the staff member or any member of his or her immediate family, or other closely-connected person, has a financial or other interest in a bidding supplier. All dealings with suppliers and contractors must, therefore, be maintained on a strictly business basis in accordance with our Code of Conduct.

Within Cairn, control systems in our procurement and financial processes exist to promote good practice and not only help to prevent fraud but also protect any individuals concerned (staff and suppliers) against allegations of fraud. Compliance with appropriate legal requirements and internal controls is essential.

Involvement in procurement requires commitment to the following:

- A duty to behave honestly and in a trustworthy manner, maintaining standards that our tenants and other customers are entitled to expect
- All staff having individual and collective responsibility for safe and proper arrangements relating to ordering and spending activities

- All managers having a responsibility to ensure systems and training provided promote best practice in procurement and prevent fraud

Ultimately, Cairn must be able to demonstrate a commitment to competition and strive to preserve and improve value for money and integrity in all its procurement activities, providing auditable processes.

Whilst minimal hospitality is an accepted courtesy of a business relationship, the recipient should not allow a position to be reached whereby its acceptance might be deemed by others to have influenced a decision or lead to potential allegations of conflict of interest. Please refer to our Entitlements, Payments and Benefits Policy for guidance.

16. Roles and Responsibilities: Performance Management and Review

The Director of Finance and People Services has overall responsibility and is accountable to the Senior Management Team and Board, for ethics, probity, propriety, efficiency and value for money in terms of the procurement process.

The Director of Finance and People Services is responsible for ensuring that staff and Board members are consulted on this policy and participate in its review.

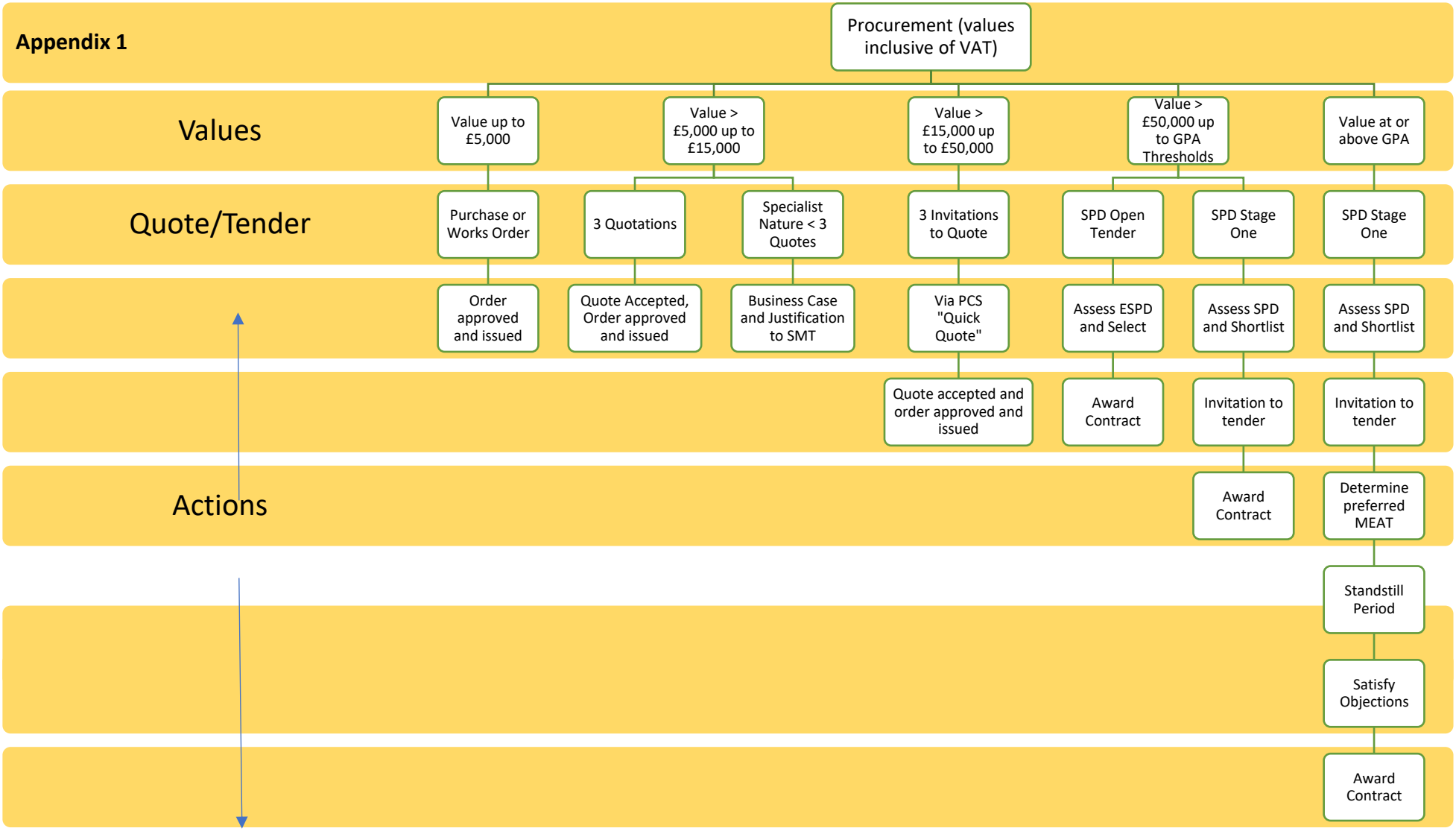
The Senior Management Team is responsible – jointly and severally – for the dissemination, implementation and proper application of this policy.

Any concerns regarding adherence to this policy will be reported to the Board.

Any concerns raised regarding the procurement process will be raised with the Chair and Chair of Audit and Performance Committee at the earliest opportunity

This policy is due to be reviewed every three years - or earlier if a material change requires this.

Appendix 1



17.

Appendix 2: Glossary of Terms

Regulated Procurement: Any procurement for public supplies or services with a value greater than £50,000 excluding VAT, or greater than £2 million excluding VAT for works contracts

Quick Quote: A restricted process that allows contracting authorities to obtain competitive quotations for low-value procurement requirements by inviting a selected list of suppliers to submit quotes.

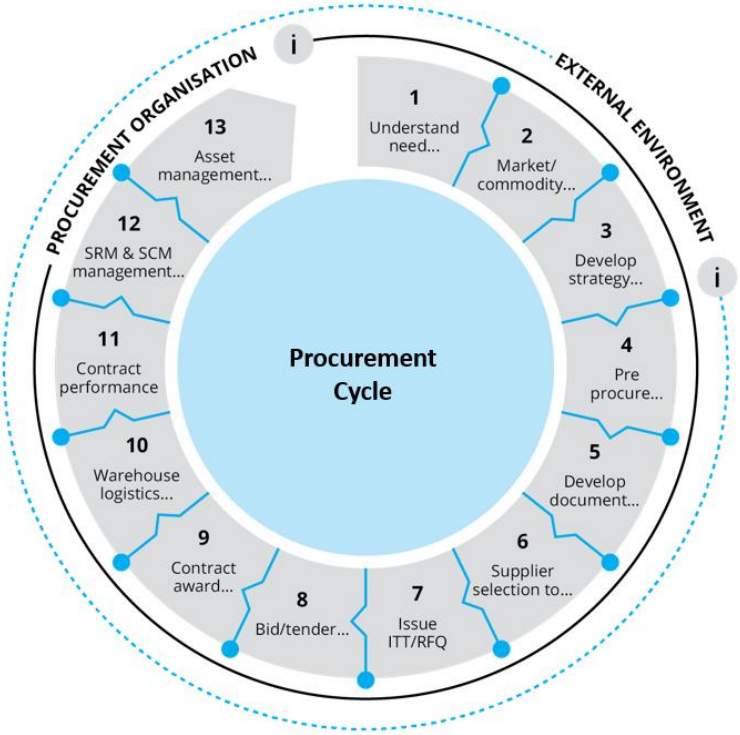
Open Tender: A tender issued in the public domain that invites any interested bidder to submit a tender

Single Stage Tender: A process whereby the client invites contractors to submit a complete and final tender in response to a project's requirements and specifications. The anticipated outcome of the single stage process is appointment of a supplier / contractor

Two-Stage Tender: A process whereby the client invites contractors to submit a pre-qualification questionnaire (typically seeking non-priced technical information) at the first stage, with an invitation to tender sent to shortlisted bidders at the second stage

The Procurement Cycle: a 13-stage cyclical process of key steps for procuring goods or services:

1. Define the needs of the business
2. Market analysis
3. Develop the plan
4. Pre-procurement – Market test and engagement
5. Develop detailed documentation
6. Supplier selection to participate in tender
7. Issue tender documents
8. Bid and tender evaluation and validation
9. Contract award and implementation
10. Warehouse, logistics and receipt – Ensure the procurement and supply process is efficient and the supplier is able to handle the demand.
11. Measure contract performance and improvement opportunities
12. Supplier Relationship Management (SRM) – Create the right relationship and environment to foster innovation and make processes faster / more efficient.
13. Asset Management – Assess the most effective and beneficial means of disposing of spent assets: resale, recycling, donation, etc.



Procurement Cycle