

PROCUREMENT POLICY

Approved September 2020

This procedure applies to:

- Cairn Housing Association (CHA)
- ANCHO

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1. Introduction

Cairn Housing Group (comprising: Cairn Housing Association, ANCHO Ltd and Cairn Homes and Services Ltd referred to in this Policy as “Cairn”) believes it is essential that a proper and consistent approach is used in any procurement exercise to obtain supplies, services or works on its behalf.

Procurement activity is governed by Cairn’s financial regulations and procurement policy and externally by procurement law. The financial regulations provide the internal rules that govern how employees responsible for committing company expenditure should conduct this activity. This procurement policy provides the background framework for ensuring that all regulated procurement activities of Cairn contribute to the strategic objectives of Cairn.

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 Policy.

At Cairn we do not exceed the £5million threshold but consider it good practice to follow the requirements of the 2014 Act.

This Procurement Policy supports our mission of providing quality affordable homes and services, with our communities and partners, throughout Scotland as well as delivering our value for money objective.

Cairn operates a procurement policy providing employees, Board members and agency staff guidance and information on how to comply with the financial regulations and procurement law when purchasing supplies, services or works.

In operating this Procurement Policy, Cairn adheres to its values of:

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

2. Purpose and Anticipated Outcomes of the Policy

Purpose

To ensure that all regulated procurement for goods, services and works contracts are in response to business needs.

To ensure that all regulated procurement is carried out in accordance with the Procurement Reform (Scotland) Act 2014.

To ensure that all procurement is proportionate to the size and scale of the requirement.

To ensure that there is a clear audit trail associated with the procurement of all contracts

whether deemed regulated or not.

Whenever possible we will use competitive forces to achieve best value through direct competition and continual review.

To consider the use of Community Benefit Requirements in regulated contracts including those under the £4million threshold.

Method

The following will be considered essential elements of competition:

- Performance standards and monitoring strategies will be developed;
- Cost information will be properly identified and collected;
- Innovation will be encouraged;
- Adherence to all current Health and Safety legislation;
- The Group's objectives including diversity, sustainability, regeneration and other social values will be promulgated;
- Probity, accountability and competitive neutrality will be ensured; and
- The responsibilities and accountabilities of all parties to a contract must be explicit.

We will adhere to, and prompt, the following principles of best practice procurement, which:

- Is driven by desired outputs and results;
- Generates the most advantageous balance of quality and cost;
- Is timely and subject to effective project management techniques following the procurement cycle;
- Minimises the burden on administrative and monitoring resources;
- Encourages reviewing, challenging, adapting and adopting new processes;
- Embraces innovation and new technology (i.e. e-procurement);
- Expedites simple or routine transactions;
- Allows flexibility in developing alternative procurement and partnership arrangements, where best value can be demonstrated;
- Encourages competition where appropriate;
- Encourages the continuing participation of high quality tenderers;
- Complies with the Group's regulatory framework and all applicable legislation; and
- Above all, is transparent and accountable.

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 organization, trained by the Procurement Officer and approved by the Director of Finance and Business Services. We will consult with tenants, staff and key stakeholders in major procurement decisions for goods/services, when 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 the tenants' needs.

We will aim to extend the partnership ethos including but not exclusive to development

arrangements, planned maintenance and responsive repairs where best value can be demonstrated.

We will build sustainability into all our procurement, taking into account the whole life costs of an asset, 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 supply.

We will continue to participate, wherever appropriate, in 'collaborative purchasing arrangements' such as Scottish Procurement Agency (SPA formerly LHC), Procurement for Housing (PfH) and Scotland Excel, participating when advantageous. Where appropriate, the Group 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 to be advertised by those authorised and trained to post on Public Contracts Scotland.

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

Anticipated Outcomes

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 Economically Advantageous Terms/Tenders (MEAT) 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 - 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.

3. Context

Legislatively the Group's procurement activities are guided by:

- EU Treaty Obligations;
- EU Procurement Directives;
- Procurement Reform (Scotland) Act 2014; and
- Procurement (Scotland) Regulations 2016.

All of the Group's procurement activity must comply with the European Union principles of:

- Accountability;
- Integrity;
- Efficiency;
- Openness;
- Fairness;
- Transparency;
- Equality and non-discrimination; and
- Proportionality.

When the UK leaves the EU, the UK Government have initially deemed EU regulations relating to procurement, which are not superseded by the Scottish Government, to apply pending any revised legislation which may or may not be required depending on the basis for customs and trade relationships with the EU.

The Procurement Reform (Scotland) Act 2014 which came into effect on the 18 April 2016, establishes the national legislative framework for sustainable public procurement. The Procurement (Scotland) Regulations 2016 have been implemented which provide the rules for Lower Value Regulated Contracts. These rules are comparable with the equivalent rules for EU regulated contracts.

Other contracts or purchases below the Scottish Lower Value Regulated Contracts threshold will be procured in accordance with the Group'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.

The Group is aware of the risks surrounding procurement and monitors them on a monthly basis. 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 suppliers and will need to be considered in respect of both initial and ongoing costs and service level. The key issue is not how risk should be allocated, but how it should be managed by all.

High value/high risk contracts will be the main focus of attention with the other lower risk and lower value and volume areas requiring proportionately less risk attention. Goods and services being procured in these categories require particularly detailed consideration of alternatives.

Management of risk involves having processes in place to monitor risks, access reliable current information about risks and appropriate levels of control operational within a framework of risk identification and analysis. Risks, it is recognised, must be managed in an integrated way and need to be identified, agreed and shared among respective partners and reviewed at regular intervals throughout a project. Good risk management is taking procuring advantage of what innovation has to offer, having given due consideration to what can go wrong and putting in established solutions to deal with it.

Good contract management (via contract management procedure) once we have passed the tender process also provides assurance that we will achieve the aims of the process we followed to procure the service.

When assessing the level of risk involved relating to procurement, it will depend on the type and length of contract or supply and external market conditions including:

- Identification of potential problems and their causes;
- Assessment of the probability of occurrence;
- Assessment of the impact on the Group
- Identification as to which party is best able to manage the risk;
- Development of strategies to manage or mitigate the risk;
- Involvement of other service area groups which may not be directly involved, in scrutinising risk as part of the procurement process.

This Policy needs to be read alongside other relevant documents, for example (but not limited to):

- Group Financial Regulations Policy and Schedule of Financial Delegated Authority
 - Group Anti-Fraud, Corruption and Bribery Policy
 - Code of Conduct
 - Entitlements, Payments and Benefits Policy
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4. Types of Procurement

The following types of procedures should be adopted according to the amounts and nature of the procurement of works, goods and services. It should be noted that as the Group 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 irrespective of the length of the contract or individual drawdowns. Supplies obtained through the existing and already tendered Framework Agreements will continue to be awarded under that agreed process.

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.
Above £15,000 and up to £50,000	Minimum 3 invitations to quote, submitted through Public Contract Scotland as a 'Quick Quote' selecting only from suppliers who have completed a profile. The order will be awarded to the organisation whose proposal is most advantageous to the Group with value, price and other relevant factors taken into consideration.
Above £50,000, up to OJEU thresholds	Competitive single-stage tender via Public Contract Scotland using the European Single Procurement Document (ESPD).
Above OJEU thresholds	Two stage tender process using ESPD
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.	

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

The Group must follow EU public procurement regulations as we are confirmed to be a 'body governed by public law' as defined in the public procurement directives. Contracts

for values over the stipulated EU Directive Financial Thresholds must be advertised in the Official Journal of the European Union and this is achieved automatically by our use within the Group of Public Contracts Scotland. The Public Contract (Scotland) Regulations 2015 sets out procedures which must be followed before awarding a contract to suppliers (i.e. providers of works. Supplies or goods) when its value exceeds the following thresholds:

	Supply and service contracts	Works contracts
Other public sector (i.e. non central government) contracting authorities	£181,302	£4,551,413

The Group aims to award the contract on the basis of the ‘most economically advantageous tender’ (MEAT) and assessment, on a quality and price basis whilst ensuring compliance with the EU Procurement Rules.

Procurement by non-competitive proposal may only be used when the awarding of the contract is not feasible due to small value of the contract or if the goods or services are only available from one source due to their specialism. In every case a justification must be made as a business case and approved by the Senior Management Team – or if the value or subject deems it necessary the Board.

A procurement flow chart, Appendix 1, is attached to this policy, which outlines the steps we are required to take based on the financial thresholds highlighted in the table above.

5. Approval and Authorisation

Budget holders must ensure that all goods, services and work that they procure must be in accordance with the approved annual budget.

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 work are used:

- Purchase order or works order;
- Letter of appointment e.g. consultants;
- Quotation; and
- Tender process.

Approval, authorisation and ordering should be sought, as a minimum, from the following:

Value	Approver
£0 - £500	Officer/Trade Operative
£0 - £1,000	Senior Officer
£0 - £5,000	Service Manager
£0 - £10,000	Co-ordinator
£0 - £50,000	Group Head of Service/Head of Service
£0 - £250,000	Group Director
£0 - £500,000	Group Chief Executive
£0 > £500,000	Group Chief Executive + Respective Chairperson or Vice Chairperson

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

6. Code of Conduct

Our overarching aim is that all procurement activity should be ethical and safeguarded from corruption or fraudulent activity and any Group employee involved in the procurement process or in the tendering of our contracts should act at all times according to the principles of impartiality, independence and integrity. Procurement decisions made are in the best interests of the Group 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 would be involved. 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 the supplier selected. All dealings with suppliers, contractors must therefore be maintained on a strictly business basis in accordance with our Code of Conduct.

Within the Group, control systems in the procurement and financial processes exist to promote good practice and not only help the prevention of 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 appropriate training provided are operational to promote best practice procurement and to prevent

fraud.

Ultimately, the Group must be able to demonstrate a commitment to competition and must 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.

7. Roles and responsibilities, Performance Management and Review

The Director of Finance and Business 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 Business Services, is responsible for ensuring that this policy is consulted on with staff and Board members and for its review.

The Senior Management Team members are jointly responsible for the dissemination, implementation and proper application of this policy.

Any concerns regarding the 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.



