karbon
group

Providing a strong foundation for life.

A Guide to Procurement Policies

The Procurement Manual

Version 2.1

karbonhomes.co.uk

Contents

OVERVIEW

1.0 WHAT IS PROCUREMENT?

Procurement is defined as the acquisition of goods, services or works through a compliant process in order to obtain Best Value to meet the needs of the Group and its Tenants in terms of product, quality, people, time, performance, location and price. Purchasing is a subsection of the procurement process and generally refers to the process involved in ordering goods such as requisitions, approvals, creation of purchase orders and the receipting of goods.

2.0 WHAT DOES THE PROCUREMENT TEAM DO?

The Procurement Team manages all aspects of buying goods or services for the Group by providing help and advice to budget holders. We will help you select the best suppliers and achieve the best overall value for money, whatever you are buying.

Some of the services that we provide include:

- Delivering cost-effective supply contracts and agreements that make savings, eliminate unnecessary costs and provide opportunities for continuous improvement for the Group.
- Managing robust competitive tendering processes that are conducted with openness and accountability.
- Management and accountability of the Group's contract database.
- Providing advice and guidance for all procurement matters.
- Managing supplier portfolios to aggregate demand and avoid duplication.
- Giving support and training to ensure compliance with the Procurement Act.
- Providing support and advice for effective contract management, where appropriate.
- Developing and implementing the Procurement Strategy to deliver organisational targets.

3.0 THE PURPOSE OF THIS MANUAL

This Manual shall provide clear guidance for all Group employees in relation to procurement activity; it will contribute to the Group building its level of procurement maturity.

The Manual incorporates procurement 'best practice' regarding the way the Group will manage its activities, business relationships with suppliers, and our corporate social responsibilities together with the engagement, utilisation, and authority of the key stakeholders at all stages in the procurement cycle.

The Manual shall ensure the consistent, transparent, and robust application of both the Groups Standing Financial Instructions (SFI's) and the Groups Delegatory Framework.

The SFIs shall take precedence in all instances of conflict between the Manual and the SFIs. The Procurement Act 2023 (as amended, the Regulations) shall take precedence in all instances of conflict between the SFIs and the Regulations. In case of uncertainty as to which policy or procedure should take precedence, advice from the Procurement Team must be sought before proceeding with a procurement process.

It is important to note that The Manual will not provide step-by-step how to' instructions as each procurement will have its own unique requirements and circumstances. In all instances, you must seek advice from the Group's Procurement Team.

It is mandatory for all Group employees to comply with the SFIs, the Groups Delegatory Framework, and this Manual.

GOVERNANCE & RULES

4.0 PRINCIPLES OF PROCUREMENT

4.1 The Procurement Processes

The procurement process for public sector bodies is governed by the UK Public Contract Regulations 2023. These are further supported by the Group's SFIs. For details regarding the appropriate procurement process please contact the Procurement Team.

4.2 Value for Money

As a Body subject to a government appointed regulator, the Group is required to seek and demonstrate Value for Money (VFM) of all spend. VFM is about obtaining the maximum benefit with the resources available. It is getting the right balance between quality and cost.

VFM is best determined through the competition of a robust specification for goods, services or works in an appropriate marketplace and evaluated using the Most Advantageous Tender (MAT) methodology.

4.3 Procurement Governance

Procurement is governed by a set of World Trade Organisation (WTO) and UK principles that set out to ensure a 'level playing field' for buyers and suppliers in which to conduct business. These principles legally apply to procurement activity above the Public Procurement Thresholds; however, the Group will endeavor to apply the principles proportionately to all procurement activity regardless of spend. These principles are outlined in Tables 1.0 and 1.1 below:

WTO Derived Principles*	
Transparency	Procurement activity shall be advertised appropriately to ensure market visibility and provide clear information with regard to the process, contractual requirements, performance and the method/s of evaluation being used in the determination of a successful bid.
Proportionality	The approach taken in any given procurement activity will be proportionate to the level of complexity, impact, risk and value of the activity as to not prevent or discourage bidders.
Equality	Ensuring that all providers and sectors have equal opportunity to compete where appropriate, that financial and due diligence checks apply equally and are proportionate, and that pricing and payment regimes are transparent and fair.

Non-Discriminatory	The consistent application of the Regulations and Group rules to all procurement activities to ensure that no supplier is prevented from participating in a Tender.

Table 1.0 – Principles of Procurement

UK Principles	
Favor Competition	Procurement activity should be undertaken in a competitive environment to aid in demonstrating the principles as well as VFM.
Robust	Procurement activity should be legally robust to ensure compliance and account of decisions made and/or actions taken. The specification of the services and the terms and conditions shall ensure the Group and its patients are safeguarded appropriately.
Accountability	All procurement activity will have an accountable officer of the Group to sign off on the compliance of the procurement process/es used.
Value for Money	All procurement activity will seek and demonstrate the balance between quality and cost reflecting in a VFM decision.
Quality	Procurement activity will set out the minimum quality of goods, works or services / outcomes to be achieved by though the specification of the contract.

Table 1.1 – UK Principles of Procurement

4.4 **Effective Competition**

The Group shall ensure the effective competition of all expenditure with suppliers to demonstrate VFM. The level and scale of competition shall be proportionate to the level of expenditure, complexity and risk associated with the procurement activity. The method of competition may vary according to the procurement process being undertaken. The SFIs sets out the minimum requirements for competition relative to the value of the activity. Where it is uncertain as to what level of competition is appropriate, advice must be sought from the Procurement Team.

4.5 **Contracts Finder**

The government's Contracts Finder portal is to aid the Group in complying with the Procurement (Act PA23) requirement for transparency and the simplification of procurement for businesses. The requirements are detailed within PA23 (Part 6 chapter 87) and are summarised as follows:

a) Where the Group is procuring goods, works or services in excess of £30k (excluding VAT), should the Group advertise the opportunity anywhere (i.e. on the Group's portal, website or publication) then the Group must also publish the opportunity on Contracts Finder.

b) All contracts awarded with a value in excess of £30k (excluding VAT) must be published in Contracts Finder.

The Group adheres to these requirements, with all competitive tenders over £30k being published through its electronic tendering portal. This automatically links and publishes the opportunity in Contracts Finder.

4.6 Exemptions to Competition

The Group shall endeavor to undertake competitive processes wherever possible; however, there are a few exemptions that can be granted. Please see SFI's for details of the grounds for exemptions. In addition, the procurement legislation also provides grounds for exemption from competition in specific circumstances (PA23 Chapter 94). Wherever exemption from competition is being sought, advice must be taken from the Head of Procurement.

4.7 Procurement Thresholds

The Group's SFIs relate to three categories of procurement, based on the estimated value of the contract (Please see Appendix 1 for process flows for each of these three categories.) The thresholds change every two years, please see information in Appendix 1 If you are reading this document after January 2026, please contact the procurement team.

4.8 Methods of Procurement

Goods, services and works should be obtained by one of the methods outlined below:

- In-house services
- Existing Group approved contracts.
- Framework agreements let through Central Procurement Body
- Frameworks agreements let through a Commercial Procurement Body
- The Groups approved procurement methods outlined in the SFIs, including tendering or obtaining quotations.

4.9 Separation of Duties

Procurement activity undertaken shall ensure the separation of duties to increase the protection from fraud and errors. This is achieved through dividing a process between two or more people so that, no one person is responsible for the entire purchasing process.

Within our Group, the separate duties are:

- Requisitioner
- Technical Appraisal (suitability/compliance/conformance)
- Budget Authorisation
- Acknowledgement of receipt of goods & services
- Authority to pay.

It is the Head of Service's responsibility to ensure that all relevant staff in their departments receive the required training/support to comply with this Manual.

In addition to the authority areas, a procurement activity will ensure a number of Key Control Points such as those listed in Table 2.0 to reinforce the separation of duties:

Examples of Key Control Points	
Specification / Requisition Process	Duly authorised representative(s) to approve the specification or raise a requisition.
Contract Award	The Groups Delegatory Framework mandates who or which level of authority is duly authorized to approve/ratify the recommendation to award a contract.

Goods Received	The requisitioner is responsible for ensuring the goods, services or works received match those orders in all aspects.
Services Performed	The named Contract Manager / Authorised Officer in the contract is responsible for ensuring the performance of the services to the specified / agreed standards.

Table 2.0 – Separation of Duties: Examples of Key Control Points

4.10 Environmental and Sustainability Considerations

All procurement activity will take into consideration the impact upon the environment with a view to supporting the Group in delivering its sustainability programme and strategy and being a Good Corporate Citizen. Procurement decisions will take into consideration the environmental matters when creating a specification, evaluating bids and on-going contract management including;

- Greenhouse Gas emissions
- Energy consumption
- Water consumption
- Waste and recycling
- Transport
- Biodiversity, nature conservation
- Noise, land and water pollution
- Air quality
- Whole lifecycle costing for procurement contracts
- The continuous review of high expenditure goods and services to identify sustainable action plans
- Monitoring carbon procurement targets
- Meeting Government Sustainable Buying Standards for all relevant categories
- Ethical Procurement Action Plans
- Support the 'Procuring for Carbon Reduction Hierarchy of Interventions'
- Ensuring that sustainable procurement objectives are included in the procurement appraisal process

The Sustainable Government Buying Standards will be reviewed to identify if they are applicable to the category of spend being purchased. Examples of these standards are office furniture, IT equipment, cleaning products and vehicles. A full list of the standards and their requirements are to be found at:

https://www.gov.uk/government/collections/environmental-sustainability

4.11 Social Value

The Public Services (Social Value) Act 2012 sets out the requirement for public spending to consider the Social, Economic and Environmental impacts. Procurement activity within the Group endeavors to ensure that Social Value is built into all contracts.

At the outset of each procurement project, the procurement lead and project sourcing group consider how the Social Value Act applies to that particular project and the measures that will be put in place to support it.

Examples of considerations the Group could look at to support Social Value could include breaking larger tenders into geographical lots to support SME's and initiatives to reduce the impact of carbon emissions in the local community, such as using local providers to minimise the supply chain and associated logistics.

4.12 Whole Life Costs

Procurement will evaluate the whole life costs as part of their best value assessment when procuring goods and services for the Organisation. This assessment will include carbon impact, supply chain, product lifespan and disposal costs. An example of this would be assessing a piece of machinery (e.g. Van lift truck) for initial financial outlay, environmental impacts, running costs, maintenance costs, spare part prices and disposal charges in order to benchmark costs against a number of models. Further guidance on this subject can be found at:

https://www.cips.org/intelligence-hub/finance/whole-life-costing

5 PROCUREMENT PLANNING

5.1 Procurement Delegated Authority

The Group's SFIs cover in detail the Delegation of Authority and Scheme of Delegation. Within a procurement activity, a procurement project team will establish a term of reference in accordance with the SFIs in determining delegated authority.

5.2 Conflict of interest

The Group's SFIs cover in detail Conflict of Interest. All members of a tender evaluation team should familiarise themselves with the requirements and complete a conflict-of-interest form prior to undertaking an evaluation of a supplier submission/bid.

5.3 Procurement Ethics / Code of Conduct

All procurement team members must undertake to comply with the ethical code of purchasing provided by the Chartered Institute of Procurement and Supply (CIPS).

CIPS Code of Conduct | CIPS

All members of staff need to comply with the gifts, hospitality & commercial sponsorship policy contained within the document *Code of Business Conduct for Group Staff.*

5.4 Partnering with Organisations

The Group must ensure that all partnership working arrangements are compliant with the strategic aims, objectives and values of the Group.

At the start of any procurement process opportunities for collaborative working should be considered on the Procurement Project Request Form. Examples of collaborative work can be:

- Framework providers
- Geographical Cluster – Groups in the same region and STP
- Similar Groups – e.g. other HA's

5.5 Procurement Strategy

The aim of the Procurement Strategy is to influence and manage the entire chain of supply for all addressable non pay spend from demand through to disposal, ensuring the lowest total cost of ownership associated with goods and services, whilst at the same time ensuring the highest standards of quality and customer satisfaction are maintained.

The Group adapts accordingly to meet the challenges of the future and reshapes its internal operations and external relationships. The Procurement Strategy sets out a focus on not just cutting costs but continuing to provide procurement support which enhances value to the organisation and protects it from external risks.

TENDERING AND CONTRACTING

6 INVITATION FOR BIDS / PROPOSALS

6.1 Procurement Project Request Form

For all projects / processes requiring a competitive procurement exercise, the requesting officer will be required to ensure the project is signed off appropriately for governance, financial and budgetary approval, contract management arrangements etc. With the exception of contract renewals which will be approved annually at the Procurement Group, or KMT.

6.2 Specification

Procurement will work with the key stakeholders to agree the specifications, evaluation criteria and weightings. Specifications fulfill two basic purposes: to communicate effectively the Group's requirements to all bidders, and to allow measurement as to whether the goods or services delivered meet the required standard.

6.3 Contract Notices (call to competition)

The Contract Notice acts as a call for competition or advertisement for a specific contract and should be published via the appropriate website (e.g. Contracts Finder) as soon as possible after the intention to tender has been formed. It provides specific details of the contract as well as criteria for applicants to be selected for invitation to tender in the relevant competitive procedure.

6.4 Instructions to Bidders

The ITT documents must include a clear and explicit set of instructions to all bidders regarding how to bid, how bids will be assessed and details of any mandatory requirements / exclusive criteria.

6.5 Currencies and Payments

All ITT documents must state that prices submitted must be in Great British Pounds (GBP) Sterling (£) and show the total value excluding Value Added Tax unless otherwise specified.

6.6 Submission of Offers

The Instructions to Bidders document must make it explicitly clear as to how offers must be received including details of method (e.g. electronic), deadlines and the consequences of failing to adhere to the requirements.

6.7 Receipt of Offers

The Declarations and Form of Tender documents must accompany all bids in order for them to be received as a bona-fide offer.

6.8 Bidder Queries

ITT documents will make it explicitly clear as to the methods and deadlines applicable to all tender activity communication during the tender. Information shared with bidders should always be followed up in writing and where appropriate, shared openly with all bidders so as to comply with the principles of procurement.

6.9 Modification to Bids / Proposals

Bidders are free to make amendments or modifications to their bids prior to the submission deadline, and the Group shall take the latest submission received prior to the deadline as the final submission. No further modification to the bids will be permitted.

The evaluation panel and/or the procurement lead will have discretion as to whether to seek clarification in relation to bids from the bidders in certain circumstances including arithmetic errors, unclear / uncertain responses or incomplete submissions. The decision to permit clarifications lies with the lead Procurement Officer and if in doubt, advice should be sought from the Group Procurement Manager.

7 EVALUATION OF OFFERS

7.1 Purpose of Evaluation

Evaluating offers / bids ensures the application of the principles of procurement to evidence the best value offer. The ITT documents will have set out the composition and application of the evaluation methodology including the written tender response assessments, presentations, interviews, site visit and demonstrations.

Following the methodology is an essential and integral requirement as feedback to unsuccessful suppliers must include the details of the evaluated scores in comparison to the winning bidder, along with how all bidders could have achieved a higher score. The procurement lead will ensure the application of the evaluation methodology as described in arriving at a recommendation for award.

7.2 Evaluation of Bids

The evaluation of formal bids must only be undertaken in accordance with the methodology defined within the tender documents 8.

7.3 Legal Challenges to Processes

It is vital to get the contract award stage of the process right to avoid legal challenges. Bidders have a number of remedies available to them where authorities breach the regulations.

These include:

- Suspension of the contract award procedure
- Setting aside unlawful decisions
- Correction of documents to remove discriminatory clauses.
- Damages, including costs of tendering and possible loss of profit.

Where a legal challenge is received, support must be immediately sought from the Procurement Department.

7.3.1 Intention to Award

Following approval, an Intention to Award (ITA) letter should be issued to all bidders involved disclosing the result of the evaluation and the decisions proposed. The letter will go to both successful and unsuccessful bidders and provide all information required to meet the PA23 directive including:

- Name of the 'Winning' supplier/s
- Details of the award criteria used
- The 'Winning' suppliers scores shown against the Award Criteria
- Their scores are shown against the award criteria.
- Who the Bidder could have achieved a higher score.

Procurement has a standard ITA template letter that meets the requirements and should be used in all instances.

7.3.2 Standstill Period

Where applicable, the Group will, upon dispatching an ITA letter, include the details of the 8 working day standstill period before which the Group cannot enter into a contractual relationship. The full range of remedies is available to the court including the power to suspend the procurement process or to overturn the award decision should the Group breach its obligation to comply with PA23.

A contract cannot be concluded with the winning supplier until the end of the standstill period, if a supplier commences legal action against an authority, consideration should be given to deferring the conclusion of the contract.

MANAGING CONTRACTS AND SUPPLIER RELATIONSHIP

8 CONTRACT MANAGEMENT

8.1 Description

Contract management is the process of efficiently managing contract performance to maximise operational and financial benefits for the Group and minimise risk. Contract management is an essential and vital component of procurement. Each contract will define and list the authorised representatives and their respective role/s within the contract. The contract will also define the requirements of contract monitoring and key performance indicators and/or measure, including escalation processes and any consequences of poor performance and/or failure.

8.2 Risk-Based Model

The procurement team will adopt a risk-based contract management model. This will mean that high value and/or high-risk contracts will involve procurement support in the contract management process. In all other contracts, procurement will provide the necessary training, tools and knowledge to enable the contract lead to perform the contract management requirements. The level of risk will be defined at the project initiation phase.

Effective contract management can be achieved by analyzing contract performance regularly and holding contract review meetings with the supplier to discuss performance issues against Key Performance Indicators and / or the Service Level Agreement.

For further information a Contract Management Guide can be accessed at Appendices 1 and 2.

8.3 Payment and Taxes

The payment of the contract will be governed by the terms and conditions of the individual contract. All contracts will be subject to the Terms and Conditions, which will include details of the payment terms.

8.4 Breach and Termination of Contract

Breach of contract and termination clauses will be governed by the terms and conditions of the individual contract.

GENERAL

9 PROCUREMENT RECORDS

9.1 Policies for Procurement Records

The Group must retain records at each stage of the procurement process in case of challenge in the courts. These records must detail all decisions made on individual contract awards.

The majority, if not all records are now retained and stored in an electronic format.

- Closed and archived tenders are held within the E-Procurement System and procurement electronic files – providing full visibility of all engagement with a project, all submissions, all correspondence & communications (in solution messaging system) key decisions and awards. Analysis of audit trial can extract data & time stamp activities by bidder, by project.
- Support project files are held electronically on the Groups networked drives.

9.2 Monitoring of Procurement Spend

The Group expenditure is compared to the contracts and wavier registers quarterly to monitor the levels of compliant expenditure. This information managed by the Procurement Team and Shared with the Procurement Development Group.

10 USEFUL LINKS

10.1 Chartered Institute of Purchasing and Supply
http://www.cips.org/en-GB/

10.2 Procurement Act 2023
https://www.legislation.gov.uk/ukpga/2023/54/contents/enacted

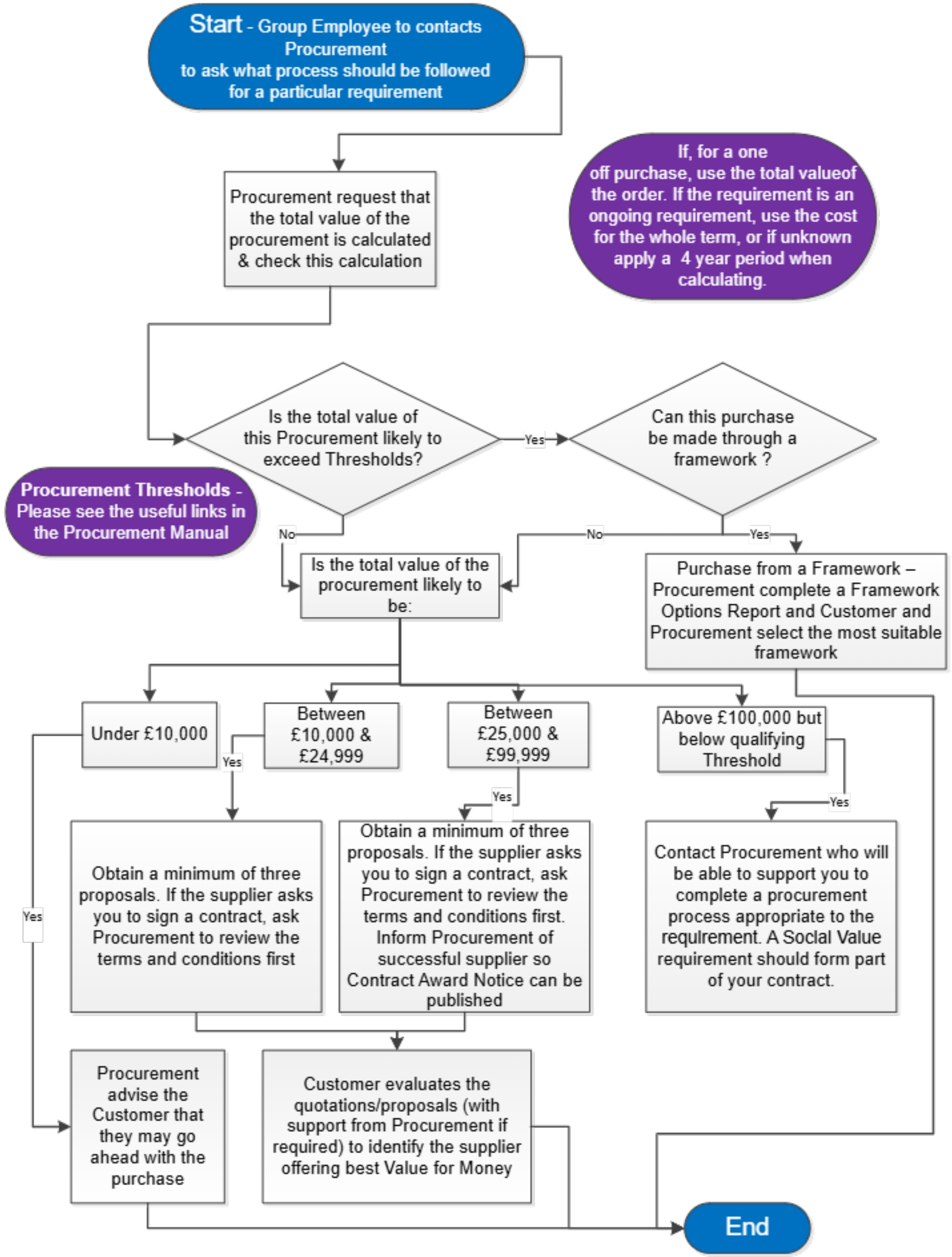
10.3 Social Value Act 2012
http://www.legislation.gov.uk/ukpga/2012/3/en
acted

10.4 Procurement Threshold limits
PPN 023: 2026 Threshold Amounts (HTML) - GOV.UK

APPENDICES

- Appendix A – Procurement Route Planner
- Appendix B – Formal Quote Procedure
- Appendix 1 – Contract Management part 1
- Appendix 2 – Contract Management part 2

Appendix A - Procurement Route Planner



Appendix B – Formal Procedure

<u>Up to £10,000 (including VAT where coverable). **Spot Purchase, Quotation, Access a Framework**</u>
The budget holder MUST consult Procurement over the best route to market, as for many low value requirements there are already compliant frameworks in place agreed under formal terms and conditions which provide the necessary guarantees and warranties. Quotes should be sought by the budget holder for audit and assurance purposes to ensure best value for money is being obtained for the Group.

<u>£10,000 to £24,999 (including VAT where coverable). **Quotation, Access a Framework**</u>
The budget holder MUST consult with Procurement over the best route to market. As a minimum the budget holder MUST seek competitive quotations from three suppliers, based upon a written specification prepared on behalf of the Group. The specification must be accompanied by Group Terms and Conditions issued with the quotations. If only two quotations are requested or available, this may be acceptable provided there are genuine reasons as to why. The reasoning must be recorded in writing and emailed to the Procurement inbox along with all quotations for audit inspection.

<u>£25,000 To £100,000 (including VAT where coverable). **Access a Framework, Formal Quotation**</u>
The budget holder must consult with Procurement over the best route to market. Formal competitive tenders from suppliers MUST be sought based upon a full written specification prepared on behalf of the Group. Budget holders are reminded that all public sector area procurement comes into effect for all lifetime contract values of £25,000 or more (excluding VAT), the opportunity must either use an existing framework or contract or be posted as a tendering opportunity via Contracts Finder. For the avoidance of doubt, in all circumstances quotations must be requested from sufficient suppliers to provide fair and adequate competition and limiting competition must not be used as a simple administrative convenience or avoidance measure. If the lowest quotation is not accepted, written reasoning should form part of the evidence retained on file to justify the decision and emailed to the Procurement inbox along with all tenders for audit inspection.

<u>£100,000 and upwards. (including VAT where coverable). **Access a Framework, Formal Tender Over Threshold**</u>
The budget holder must consult with Procurement over all purchases which are not already under an existing contract or framework approved by the Procurement team. The budget holder MUST consult with Procurement over the best route to market. As a minimum the budget holder MUST seek competitive quotations from three suppliers, using the Trust’s e-tendering system and based upon a full-written specification prepared on behalf of the Group. The specification must be accompanied by Group Terms and Conditions issued with the Tender.

APPENDIX 1: Contract Management part 1

Contract Management

To get the best out of a contract, it needs to be managed.

The following 12 elements help ensure you have the right resources, skills and knowledge to do just that.

Planning and Governance

Schedule regular meetings and control processes to support the contract.

1. **People**
   Resource the task appropriately and determine roles, functions, who and how they will interact with each other from both buyer and supplier sides.
2. **Administration**
   Agree the content, frequency, format etc of information and who will be the administrator for both the buyer and the supplier and keep an audit trial.
3. **Relationships**
   Understand the type of relationship you have, i.e. are they a critical supplier, are we their biggest customer etc and build a good reputation.
4. **Performance**
   Monitor the performance of the supplier using KPI's and T&Cs to ensure acceptable levels of performance.
5. **Payment**
   Verify and validate payment against the contracted values, then benchmark.
6. **Risk**
   Understand the risks within the contract and proactively mitigate them through meetings, systems and controls.
7. **Contract Development**
   Refine the contract as it progresses to increase its value and performance.
8. **Supplier Development**
   Work with the supplier to develop their performance and business.
9. **Supplier Relationship Management**
   Craft a solid and professional relationship with the supplier to further enhance the contract delivery.
10. **Market Management**
    Engage with the market to understand the forces in play including, new suppliers, innovation, alternative solutions etc.
11. **Be Proactive**
    Plan ahead to manage risks and impacts before they grow.

APPENDIX 2: Contract Management part 2

Contract Management

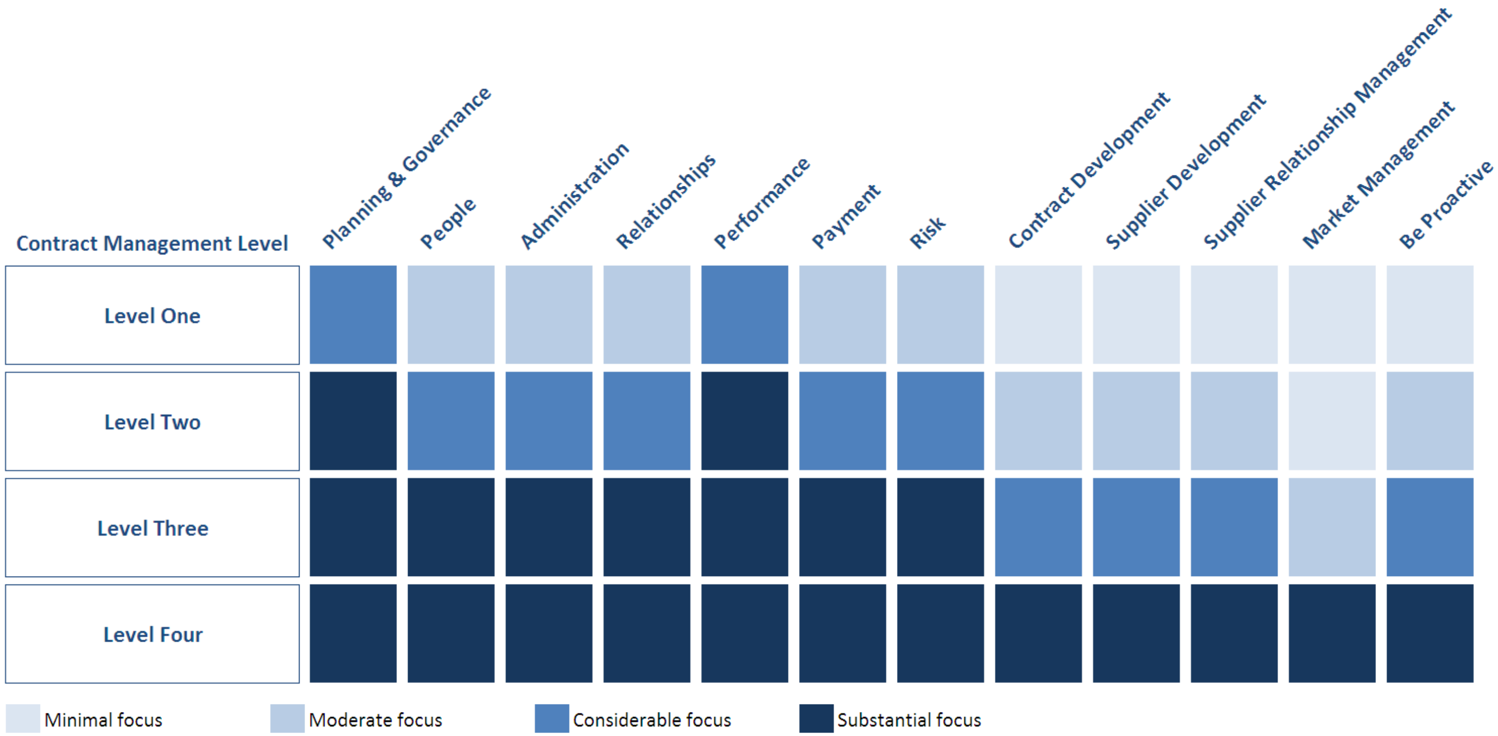
Contract Value	Contract Risk: Low	Medium	Medium / High	High
Low	Level 1	Level 2	Level 2	Level 3
Medium	Level 2	Level 2	Level 3	Level 3
Medium / High	Level 2	Level 3	Level 4	Level 4

Contract Management should be proportionate.

The matrix to the left provides a rough guide to the level of Contract Management appropriate to a contract based upon the contract's value and risk.

Degree of focus on the 12 Contract Management elements

The below matrix shows the required focus and attention each of the Contract Management elements should be given based upon the determined Contract Management level.



Core Principles

Understand the Contract
Ensure you are clear and familiar with the contract prior to engaging the supplier.

Understand the Relationship
Know the position you are in as well as the one the supplier and determine an approach.

Aim for Continual Improvement
Seek to make improvements to the benefit of both parties.

Share Knowledge
Ensure the Group is informed of key information relating to the contract or the supplier.

Make use of Procurement
Liaise with Procurement to maximize the contract value and assist with disputes