

PROCUREMENT POLICY MANUAL

Prepared by: Tom Wilson, Head of Procurement

Authorised by: Andrew Livingstone, Director of Finance and Audit
Senior Management Team

Issue Date: 06 April 2015

© 2008 The Skills Development Scotland Co Limited

All rights reserved. This document contains confidential and proprietary information of The Skills Development Scotland Co Limited. No part of this document may be reproduced, in any form or by any means, without permission in writing from The Skills Development Scotland Co Limited.

KEY PRINCIPLES OF THE SKILLS DEVELOPMENT SCOTLAND PROCUREMENT POLICY

VALUE FOR MONEY

The prime objective of public sector procurement is to achieve best value for money (VFM). Best VFM is the optimum combination of whole life costs and quality to meet the customer's requirements.

COMPETITION

Procurement should be conducted through open competition. A competitive audit trail is required for each contract. There are three Procurement Process Thresholds:

1. Requirements below £5,000 (inclusive of VAT) are Low Value Procurements.
2. Requirements above £5,000 (incl VAT) and below £50,000 (incl VAT) are Medium Value Procurements.
3. Requirements above £50,000 (incl VAT) are High Value Procurements.

All procurements with a value of £5,000 (incl VAT) and above must be directed through the Central Procurement Team. The Central Procurement Team will advertise these requirements through the Public Contracts Scotland advertising portal and will manage the procurement process.

SEPARATION OF DUTIES

The role of budget holder (customer), purchaser and payment authority should be separated.

INTERNATIONAL OBLIGATIONS

It is mandatory that the procurement process complies fully with the EU Procurement Directives and the World Trade Organisation Government Procurement Agreement.

Table of Contents

1. INTRODUCTION	4
2. PROCUREMENT ROLES AND RESPONSIBILITIES	5
2.1 Procurement Process.....	5
2.2 Separation of Duties.....	7
2.3 Responsibility and Authority.....	7
3. PROCUREMENT POLICY	8
3.1 Value for Money.....	8
3.2 Competitive Process	8
3.3 Specification Development.....	8
3.4 Procurement Process Thresholds.....	9
3.5 Contract Management.....	9
3.6 Gateway Review Process.....	9
3.7 European Public Procurement.....	10
4. COLLABORATION	11
5. SUBJECTS OF GENERAL APPLICATION	12
5.1 Ethics	12
5.2 Corporate Social Responsibility (CSR)	12
5.3 Small and Medium sized Enterprises (SMEs).....	12
Annex A – Budgetary Authority / Project Authority Levels	14

1. INTRODUCTION

Skills Development Scotland is the national skills body supporting the businesses and people of Scotland. It was launched on 1 April 2008 by merging four partner organisations with a shared vision to improve Scotland's skills performance.

A dynamic, forward-looking organisation, Skills Development Scotland delivers information, advice, guidance, funding for careers and learning as well as extensive support for skills development.

A high proportion of the financial resources available to Skills Development Scotland are used to procure service delivery requirements from third parties. Procurement is the "cradle to grave" acquisition of goods and services. It is a significant contributor to the provision of the services provided by third parties on behalf of Skills Development Scotland. Procurement is an integral part of resource, finance and budgetary management.

The key elements of the policy reflect the essential requirements for internal controls and rigorous processes. There requires to be a fundamental recognition and implementation of good governance and accountability as they apply to procurement activities within the public sector.

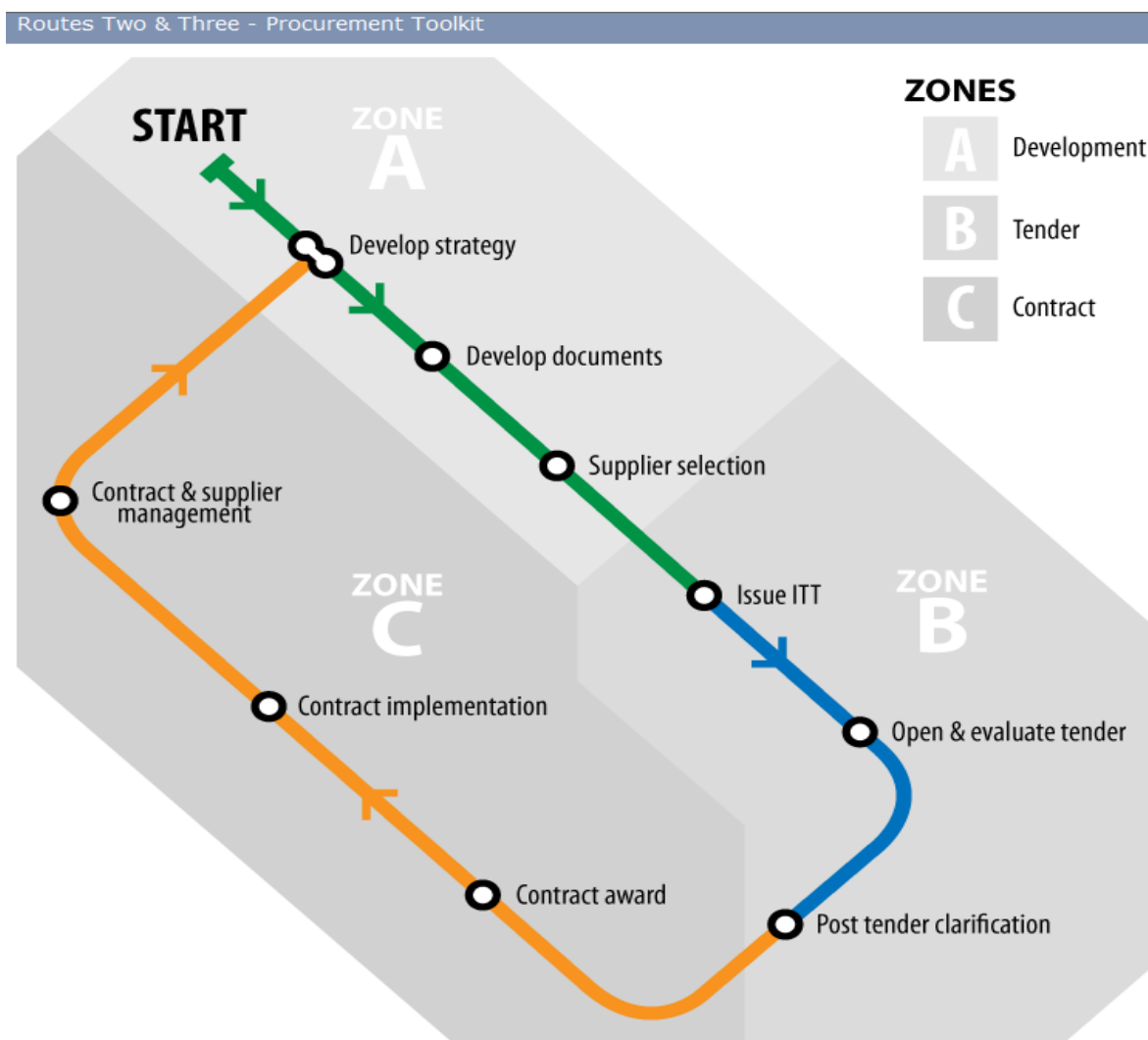
Guidelines from Ministers:

"The Authority should have a strategy for procurement and the management of contracts and contractors to ensure that it treats procurement as a key component in achieving all its objectives."

2. PROCUREMENT ROLES AND RESPONSIBILITIES

2.1 Procurement Process

SDS adhere to Scottish Procurement's Procurement Journey below :



The main elements of the procurement process are shown below:

- Prior to conducting the competition

PUBLIC PROCUREMENT PROCESS

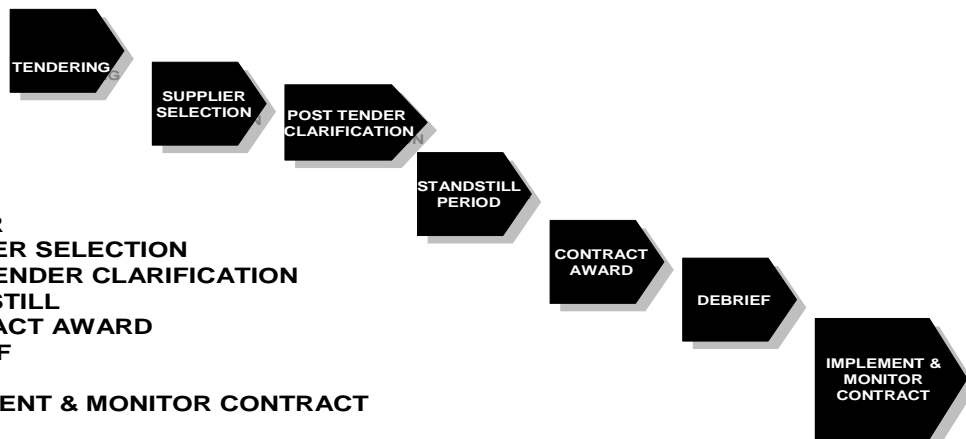


□ Key Features:

- **DEFINE BUSINESS NEEDS**
- **PREPARE BUSINESS CASE**
- **DEVELOP PROCUREMENT STRATEGY**

- Generic Procurement Process - Main Elements

PUBLIC PROCUREMENT PROCESS



- **TENDER**
- **SUPPLIER SELECTION**
- **POST TENDER CLARIFICATION**
- **STANDSTILL**
- **CONTRACT AWARD**
- **DEBRIEF**
- **IMPLEMENT & MONITOR CONTRACT**

2.2 Separation of Duties

In any procurement process the key roles of budget holder and purchaser should not be performed by the same individual. The budget holder should have the authority to commission goods, services or works and to provide financial authority for the expenditure. The purchaser should have authority to commit the organisation to a contract for the purchase of goods, services or works.

Separation of these roles within a procurement process provides the necessary safeguards against impropriety or unethical practice. Accountable officers are required to ensure that procedures exist that allow only those staff with appropriate purchasing authority to commit Skills Development Scotland to a new contractual relationship.

The authorities relating to the contracting and procurement process are separated between the following phases:

- Commitment (contract signatory)
- Requisition
- Receipt
- Payment

No one individual can have the authority to control two consecutive stages in the separation of duties.

2.3 Responsibility and Authority

The delegated authority to commit to a contract on behalf of Skills Development Scotland (Purchasing / Contractual Commitment Authority) is entirely separate from delegated budgetary authority. Budgetary authority, does not, of itself, imply purchasing / contractual commitment authority. Purchasing / contractual commitment authority will be delegated by the Director of Finance and Audit.

The Senior Management Team and Board approved Business / Procurement Delegated authority levels are detailed in **Annex A**.

3. PROCUREMENT POLICY

3.1 Value for Money

All public sector organisations procuring goods and services must ensure they obtain value for money. This means they must choose the bid that offers the “optimum combination of whole life costs and quality”. In Scotland, it is policy to award contracts on the basis of Most Economically Advantageous Tender (MEAT), evaluating both the price and quality of the tenders submitted. Quality can include a number of factors including technical merit and functional characteristics.

To assess MEAT, a Price:Quality ratio will be applied which balances the relative importance of price and quality in the tender.

For example, where performance takes a high priority a Price:Quality ratio of 30:70 may be applied. The relative importance of the criteria on which the contract will be awarded will be listed in either the “Invitation to Quote (ITQ)” or “Invitation to Tender (ITT)” documentation.

3.2 Competitive Process

“Competition promotes efficiency and effectiveness in public expenditure. Awarding contracts on the basis of value for money following competition contributes to the competitiveness of suppliers.

Goods, services and works should be acquired by effective competition, including adequate publication of the contract opportunity, unless there are convincing and justifiable reasons to the contrary.

Subject to any relevant legal obligations, for example under the EC procurement rules, the form of competition should be appropriate to the value and complexity of the goods, services or works to be acquired. Contracting authorities should keep bidding costs to the minimum necessary for effective competition and should remove barriers to participation by, for example small firms, the self-employed and the third sector without discriminating against others. Consistent with legal obligations, during competition any minimum standards required should be proportionate to the contract in question.”¹

3.3 Specification Development

The specification should be developed as a generic performance, output and outcome based specification as the normal approach to business. This form of specification increases the ability of suppliers to compete and aids the delivery of value for money. Specifications should be framed so that, as far as possible, the resulting offers can be judged against objective criteria.

Specifications should be generic performance; output and outcome based, rather than developed in such a way as to focus on proprietary product or single consultancy offering.

¹ Scottish Procurement Policy Handbook, section 6. <http://www.scotland.gov.uk/Publications/2008/12/23151017/0>

By developing generic specifications the competitive process is enhanced, enabling more organisations to compete for the business on offer.

3.4 Procurement Process Thresholds

Key aspects for tendering policy for each form of competition are outlined within key stages of the Skills Development Scotland Procurement Journey. The chart below gives an overview of expected activity (the Skills Development Scotland Procurement Journey is based on best practice put in place by the Scottish Procurement Directorate).

Value (incl VAT)	Activity
£0 - £5,000	1 quote should be sought and the use of the Mastercard Government Procurement Card (GPC) can also be applied. The Mastercard Government Procurement Card is an automated payment mechanism with built in controls.
£5,000 - £50,000	The Central Procurement Team will conduct these procurements. A minimum of 3 written quotes will be sought using the SDS Invitation to Quote standard template and will be advertised on the Public Contracts Scotland advertising portal.
Above £50,000	The Central Procurement Team will conduct these procurements. The competition will be advertised on the Public Contracts Scotland Advertising portal. The Central Procurement Team will manage the EU compliant process determining the best procurement route to be taken forward. SDS will implement e-Tendering for high value procurements (greater than £50,000) to ensure transparency, auditability and electronic documentation capture.

3.5 Contract Management

Skills Development Scotland policy is that all significant contracts for goods and / or services must be governed by either a contract specific Service Level Agreement or some other Supplier Performance measurement and reporting mechanism. The method and frequency together with roles and responsibilities, will vary from contract to contract however, the generic process and procedure are set out in the Scottish Government's Procurement Journey under the Contract Management section.

For contracts with an aggregate value of greater than £150,000, a Contracts Management Plan will be developed and will be used to outline the roles and responsibilities, key aspects of the Contract and the contract management provisions.

3.6 Gateway Review Process

Skills Development Scotland will adhere to the Scottish Public Finance Manual (SPFM) and conduct Gateway Reviews for major programmes and projects with a value greater than £5,000,000.

3.7 European Public Procurement

Public sector procurement in Scotland takes place within the framework of European, UK and Scottish legislation. These are based on five key principles:

1. Equal Treatment
2. Transparency
3. Proportionality
4. Mutual Recognition
5. Confidentiality

The rules for Public Procurement are bound within:

- EU Treaty Obligations
- EC Procurement Directives
- The Public Contracts (Scotland) Regulations 2006
- The Utilities Contracts (Scotland) Regulations 2006

The EU Directives apply to public sector contracts for goods and services over £172,514² (net of VAT).

A summary of EU thresholds is detailed in the following link:

<http://www.scotland.gov.uk/Topics/Government/Procurement/policy/10613>

The Central Procurement Team will determine the most appropriate OJEU Procurement Procedure. Whether that is:

- Open
- Negotiated
- Competitive Dialogue
- Restricted
- Accelerated Restricted

² This value is correct as of 1st January 2014.

4. COLLABORATION

Collaboration across public procurement functions provides opportunities for better utilisation of procurement skills and resources ; greater purchasing leverage through aggregation of spend ; encouraging innovation in markets ; maximising benefits and the spread of best practice.

The Review of Public Procurement in Scotland by John McClelland highlights the significant value for money and financial opportunities through Collaboration.

Skills Development Scotland supports the McClelland report recommendations and seeks to collaborate with the Scottish Centres of Expertise. The following groupings define how and by whom in the national procurement structure, contracts are established for each of the categories.

Category A – National Contracts put in place by Scottish Procurement.

Category B – Sectoral Specific Contract via the sector specific Centres of Expertise

Category C1 – Regional

Category C – Local

Collaborative Framework Agreements allow for a quick/compliant route to market as the OJEU procurement process has been adhered to by a central collaborative buying organisation. Where there is no framework coverage through the Scottish Centres of Expertise (Scottish Procurement and the Central Government Centre of Procurement Expertise), Skills Development Scotland will call-off from Crown Commercial Services frameworks where appropriate.

5. SUBJECTS OF GENERAL APPLICATION

5.1 Ethics

Declaration of interests

In undertaking or participating in any aspect of procurement, staff are required to declare, any personal interest, which may affect or be seen by others to affect that member of staff's impartiality in a matter relevant to his or her duties. In the first instance this declaration must be made to the Head of Procurement and may be referred to the Director of Finance and Audit and or the Senior Management Team (SMT).

Or

Where an employee or a close relative of an employee acts as a supplier or, when the aforementioned hold significant interest in a business which trades or has potential for trading with Skills Development Scotland, then the employee is required to declare all such interests to the SMT. Declarations must be in writing and copied to the Director of Finance and Audit and the Head of Procurement.

Enclosed is a link to the Skills Development Scotland Confidentiality and Non Disclosure Agreement.

https://staff.skillsdevelopmentscotland.co.uk/Resources/procurementhome/Documents/Confidentiality_NDA%20document%20-%20FINAL%20-%20August%202013.pdf

5.2 Corporate Social Responsibility (CSR)

Skills Development Scotland recognise that we require to take account of economic, social, environmental and the equality impacts of our purchasing activity, maximising the positive impacts of our purchasing activity and minimising the negative.

Skills Development Scotland will work towards incorporating CSR into our major procurement activity.

In April 2014, Skills Development Scotland implemented a Responsible and Sustainable Procurement Policy (RaSPP) and Strategy. Details can be accessed at the following link:

<https://staff.skillsdevelopmentscotland.co.uk/Resources/procurementhome/Pages/responsibleandsustainable.aspx>

5.3 Small and Medium sized Enterprises (SMEs)

The purpose of the Government Economic Strategy is:

“To focus the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth”.

The Scottish Government uses the Companies Act 1985 Regulations 2004 definition of small and medium businesses:

- Small Enterprise – Less than 50 employees
- Medium Enterprise– Less than 250 employees

Skills Development Scotland has signed up to the Public Contracts Scotland Advertising portal to provide greater visibility to SMEs as to competitions we are conducting with a value greater than £5,000.

Skills Development Scotland will also promote the use of output based specifications to encourage the participation of SMEs.

Formal debriefing will also be conducted to improve the competitive performance of SMEs.

Annex A – Budgetary Authority / Project Authority Levels

The current Delegated Authority Policy was published on 1 January 2014 and can be accessed via the Finance area on the Loop.



New DA Policy v1
101213.doc

The following table outlines a summary of the Procurement approvals:

Section	Activity	Approval Value (incl VAT)	Authorities
2.1	Grants	£100k or more	Chief Executive or Company Secretary / Director of Finance & Audit
		£50k to £100k	ELG Member or Lead Head of Finance & Audit
		Less than £50k	Head of Procurement
2.2	National Training Programme (NTP)	Greater than £10m	SDS Board
		£5m to £10m	Chief Executive, countersigned by Director of Finance & Audit
		£1m to £5m	SLG Member, countersigned by Director of Finance & Audit
		Less than £1m	ELG Member
2.3	Leases	£100k or more	Chief Executive or Company Secretary / Director of Finance & Audit
		£50k to £100k	Senior Director of Service Delivery or Director of Finance & Audit, countersigned by Lead Head of Finance & Audit
		Less than £50k	Corporate Legal Resource Manager
2.4	Consultancy	£0 and above	Chief Executive and Director of Finance & Audit
2.5	NCA	£0 and above	Director of Finance & Audit
2.6	Other Contracts	£100k or more	Chief Executive or Company Secretary / Director of Finance & Audit
		£50k to £100k	ELG Member or Lead Head of Finance & Audit

		Less than £50k	Head of Procurement
--	--	----------------	---------------------