



PROCUREMENT CODE

<u>1</u>	<u>INTRODUCTION</u>	2
<u>2</u>	<u>PRINCIPLES</u>	3
<u>3</u>	<u>CONFLICTS OF INTEREST</u>	3
<u>4</u>	<u>THE PROCUREMENT LIFECYCLE</u>	3
<u>5</u>	<u>APPROVALS AND BUSINESS CASES</u>	4
<u>6</u>	<u>CONTRACT VALUES AND TENDER THRESHOLDS</u>	5
<u>7</u>	<u>SOURCING</u>	5
<u>8</u>	<u>NON-COMPETITIVE SOURCING /SINGLE TENDER</u>	6
<u>9</u>	<u>TENDER OPENING AND EVALUATION</u>	7
<u>10</u>	<u>TERMS AND CONDITIONS OF CONTRACT</u>	7
<u>11</u>	<u>PURCHASE ORDERS AND INVOICING</u>	7
<u>12</u>	<u>CONTRACT MANAGEMENT AND POST CONTRACT</u>	7
<u>13</u>	<u>CONTRACT EXTENSIONS</u>	8
<u>14</u>	<u>GUIDANCE</u>	8
	<u>ANNEX 1 - TENDER THRESHOLDS AND SOURCING OPTIONS</u>	9

CLASSIFICATION

1 INTRODUCTION

1.1 The procurement code exists to ensure maximum value for money is achieved and that regulatory compliance is maintained in all commercial activity at PHSO. The procurement code forms part of the PHSO governance framework and compliance with the policy, by all staff, is mandatory.

1.2 The procurement code is designed to:

- Protect PHSO from poor contracting decisions, e.g. decisions which result in non-delivery, low quality and low value for money by deploying maximum competition sourcing strategies which:
 - Ensure contracts are not awarded to predetermined suppliers;
 - Encourage supplier innovation;
 - Encourage optimal use of public sector Framework Agreements and centralised contracts.
- Protecting PHSO reputation through adopting good governance culture in all procurement-related activities , including:
 - Adopting and applying recognised good practice;
 - Complying with UK and EU procurement legislation;
 - Public Sector Framework Agreements;
 - Electronic tendering and evaluation.
- Guide and support PHSO in:
 - Decision-making, including provision of relevant and accurate management information.
 - Ensuring early identification of procurement activity so that sufficient time is available to ensure the most appropriate and effective process to be undertaken.
- Guide and support PHSO in effective decision making and maximizing use of:
 - Standard terms and conditions to maximise contractual protection;
 - The in-house professional procurement team, i.e. the Central Procurement Team (CPT) for advice and guidance;
 - Effective contract management, using recognised project, contract management and relationship management techniques.
 -

1.3 To achieve these, it is essential that the requirements of the code, as set out in the following sections, is followed at all times.

CLASSIFICATION

2 PRINCIPLES

- 2.1 Any procurement process conducted by PHSO should comply with the following principles:
- Staff undertaking procurement activity must maintain the highest professional standards of behaviour and always treat all suppliers and potential suppliers fairly and equally.
 - All procurement activity must be is conducted fairly, openly and in a transparent manner.
 - All procurement activity must deliver value for money.
 - All procurement activity must comply with all legal requirements.
 - All procurement related expenditure must be approved prior to being incurred as set out in the Scheme of Delegation.

3 CONFLICTS OF INTEREST

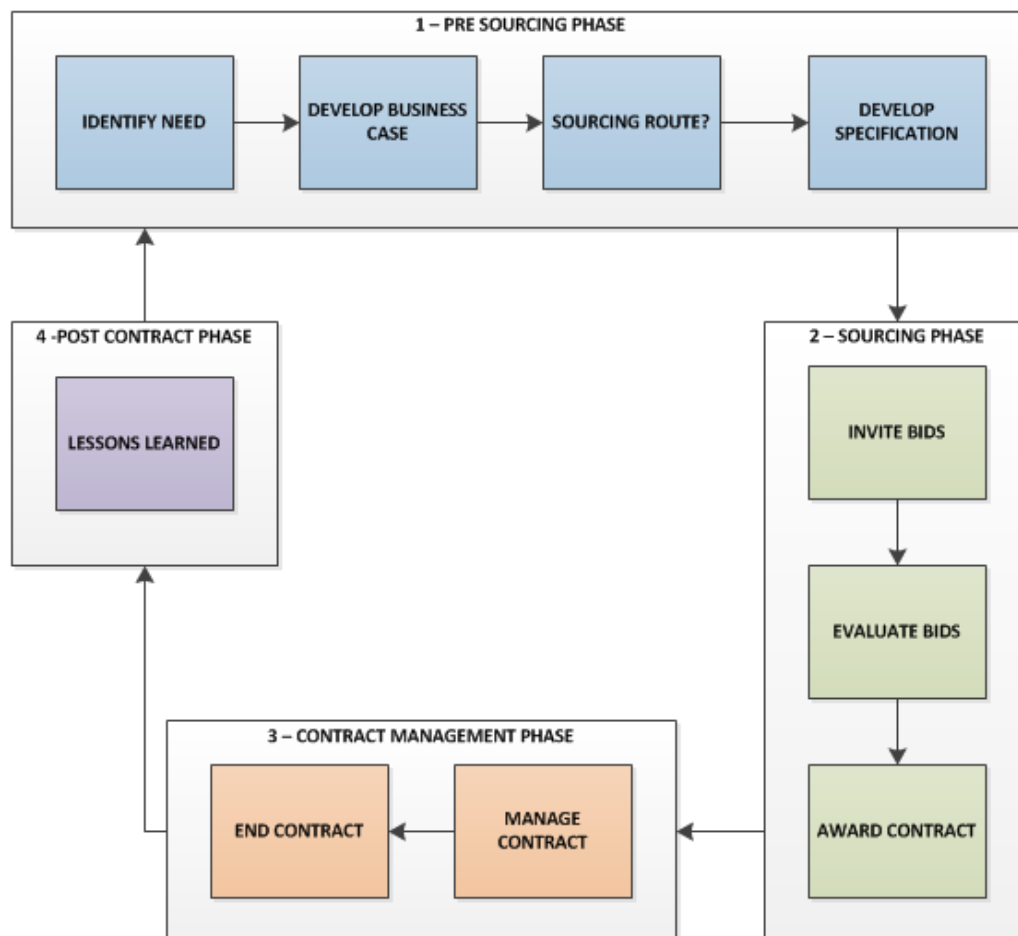
- 3.1 It is essential that all members of PHSO involved in a procurement activity are required to formally consider and declare any relationship or association that may create an actual, perceived or potential conflict of interest in respect of the procurement activity they are undertaking.
- 3.2 Any potential conflicts of interest must be reported to the CPT who will notify a suitable member of PHSO to determine whether the declared relationship or association gives rise to a conflict of interest.
- 3.3 In all formal tender exercises, potential contractors are required to sign a declaration that they are not aware of any conflict of interest or any circumstances that could give rise to a conflict of interest in the performance of the proposed contract.

4 THE PROCUREMENT LIFECYCLE

- 4.1 There are four main phases within the procurement lifecycle: 'pre-sourcing', 'sourcing', 'contract management' and 'post-contract'. These stages form part of all procurement and are set out in Diagram 1.

CLASSIFICATION

Diagram 1 The Procurement Lifecycle



5 APPROVALS AND BUSINESS CASES

- 5.1 Appropriate approval should be obtained before any tender process is undertaken. Approval limits are set out in the Scheme of Financial Delegation and a business case to support the request is required:
- Where there is a need to commit expenditure that is not currently budgeted
 - When capital expenditure is required
 - When a new service is planned to be delivered or procured
 - Where significant changes are planned to the way a service is delivered
Board approval for expenditure in excess of £500,000 is required.
- 5.2 A business case is not required to renew a contract for which budget provision already exists or to amend services where there little or no change to cost or customer experience.
- 5.3 The level of detail required in a particular business case should be proportional to the value and complexity of the requirement. Further

CLASSIFICATION

information on the completion and format of business cases is available in the procurement guidance.

6 CONTRACT VALUES AND TENDER THRESHOLDS

- 6.1 It is important to properly estimate the total value of a contract on the basis that different rules apply depending on the nature and value of the contract.
- 6.2 The contract value is the total of all the expected costs to be paid over the whole period of the contract (including any optional extensions and including VAT). Splitting of contracts to cover the total value is allowed, e.g. to encourage more Small and Medium Enterprise (SME) suppliers, subject to meeting legislative requirements.
- 6.3 Where the contract period or total value is indefinite or uncertain, the estimated value shall be calculated on the basis that the contract will be of four years duration. Estimated contract values should not be calculated with the deliberate intention of excluding the contract from the scope of the application of the regulations.

7 SOURCING

- 7.1 There are a number of options available for PHSO in procuring goods and services. Specialist advice from the Corporate Procurement Team (CPT) is available to support budget holders. The thresholds are set out at Annex 1 and determine the nature of the tendering/sourcing activity. A summary of the thresholds is set out in the table below however it is important that advice for the Corporate Procurement Team is sought to establish the most appropriate procurement route.

Contract Value (inc VAT)	Sourcing Options
£0 to £2,999	2-3 written or verbal quotations (recorded on file)
£3,000 to £20,000	2-3 written quotes for contracts up to £10,000.
£10,000-£19,999	<ul style="list-style-type: none">• Contracts Finder• Frameworks
£20,000 to £100,000	<ul style="list-style-type: none">• Call off contracts• Frameworks.• Tenders
Over £100,000	<ul style="list-style-type: none">• Frameworks• Tender

CLASSIFICATION

Frameworks

- 7.2 PHSO will seek to source its requirements as much as possible through existing framework agreements, which have been competitively tendered after OJEU advertisements and involve a reduced timescale sourcing process for each subsequent requirement. The Corporate Procurement Team (CPT) can advise which framework agreements PHSO may access.
- 7.3 The Crown Commercial Service (CCS) provides centralised contracts and frameworks for commonly procured products and services, which are mandatory for central government organisations. Due to PHSO's independent status use of these contracts and frameworks is not mandatory however as these contracts generally provide improved VFM, PHSO will always consider using such contracts/frameworks.
- 7.4 When it is not possible to use a framework, PHSO is committed to an inclusive and transparent approach to sourcing across a range of requirements; this means encouraging competitive bidding. For very low value requirements, up to £3k, sourcing can be undertaken using a range of tools, including the internet.

8 NON-COMPETITIVE SOURCING /SINGLE TENDER

- 8.1 It is Government policy that all goods and services in the public sector should be procured by competition, as this is considered to be the best way to obtain value for money.
- 8.2 In certain exceptional circumstances a single tender action may be appropriate:
- If there was competition for initial work, limited follow-up work which could not have been anticipated in the original contract award. This must not start a series of several single tenders on the same grounds.
 - Where there is a compatibility issue, for example with office equipment, IT, or where a proposed business model or other recommendation made by a consultancy is to be implemented.
 - Where there is genuinely only one provider who is capable of meeting the requirement or will be interested in doing so.
 - Where there is a genuine emergency requirement for goods or services to maintain business continuity. This is not an alternative for failure to commence a procurement process in good time.
- 8.3 All single tenders must be authorised by the Executive Director of Corporate Services. The business area must prepare a report detailing why the single tender action is required and submit through the CPT who will advise the Executive Director on the merits of the report.

CLASSIFICATION

9 TENDER OPENING AND EVALUATION

- 9.1 Tenders, quotations and proposals must not be opened until the allotted date and time. For tenders and proposals a Tender Opening Form must be completed and signed by a representative of the Directorate/CPT and a Director/Assistant Director not involved in the procurement (a minimum of two) who are present at the Tender opening to confirm that the correct process has been followed.
- 9.2 Evaluation should be carried out on the basis of the criteria set out in the contract specification. Evaluation usually takes account of qualitative factors as well as price and weightings need to be agreed in advance of the procurement process to provide transparency. A record of scores and contract award decisions must be retained.

10 TERMS AND CONDITIONS OF CONTRACT

- 10.1 Wherever possible, PHSO's standard Terms and Conditions. No agreement to a supplier's terms and conditions shall be reached without consultation with the CPT, who will assess any potential legal and commercial risks which may result. Where Crown Commercial Service frameworks are used, CCS terms and conditions will apply.
- 10.2 Terms and Conditions involving performance incentives to motivate contractors may be used where feasible in business supporting contacts.
- 10.3 As set out in its standard Conditions of Contract, PHSO will own all intellectual property that arises out of contracted services (unless this is clearly inappropriate e.g. with "off-the-shelf" software). Staff should be aware that this is an area on which PHSO is not prepared to negotiate and if a bidder is unwilling to accept this, it may mean that work cannot be procured from them.
- 10.4 Staff sourcing external services must ensure that service providers accept these provisions and that there is nothing in their bid to contradict this. Where necessary, advice should be sought from CPT.

11 PURCHASE ORDERS AND INVOICING

- 11.1 No commitment of expenditure, i.e. any order placed, with the supplier should be made until a requisition has been authorised by the budget manager/holder and a purchase order (PO) generated. The PO will be automatically emailed to the supplier once authorised, unless a specific request is made not to.

12 CONTRACT MANAGEMENT AND POST CONTRACT

- 12.1 As the essential third phase of procurement, effective contract management is fundamental to the success of all contracts and helps to ensure that delivery and performance is as specified. Contract Management Guidance is

CLASSIFICATION

available to support budget holders in best practice on how to manage contracts.

- 12.2 All ongoing service contracts £20,000 and above should be recorded on PHSO's contracts register by the CPT. Business areas must confirm to the CPT details of any contracts awarded over this value to facilitate this.

13 CONTRACT EXTENSIONS

- 13.1 Contracts may only be modified, changed or amended in very limited circumstances. Prior to modifying any contract, whether in terms of value, duration, scope or otherwise, advice must first be sought from the Corporate Procurement Team.
- 13.2 Contracts may be extended, subject to the approval of the relevant Director. Advice must however be sought from the Corporate procurement Team in advance of the contract end date.

14 GUIDANCE

- 14.1 A detailed 'How To' guide is available to support managers with the detailed processes for procurement. Included in the guidance are a range of standard documents for sourcing and procurement activity: Specification Template, Quotation Summary Form, Request for Quotation Template, Invitation to Tender Template and Tender Evaluation Form.

CLASSIFICATION

ANNEX 1 - TENDER THRESHOLDS AND SOURCING OPTIONS

Value	Sourcing Activity	Contract Award Requirements
£0 to £2,999 (inc VAT)	<p>Corporate Procurement Team (CPT) will provide advice and guidance if required i.e. advise of potential call off contracts/frameworks.</p> <p>Sourcing may be via 2/3 written or verbal quotations (recorded on file)</p>	Requisition proforma email sent to Finance.
£3,000 to £9,999(inc VAT)	<p>2-3 written quotations required.</p> <p>After receiving CPT advice, sourcing may be via 3 written competitive quotations, using Request for Quotation and evaluation of the quotations.</p>	<p>Quotation Summary Form</p> <p>Requisition email proforma sent to Finance.</p>
£10,000 to £19,999(inc VAT)	<p>CPT will advise of frameworks or whether the contract needs to be advertised on Contracts Finder.</p> <p>Specific sourcing advice, should be sought and taken from CPT to ascertain the most appropriate sourcing strategy and guidance/templates.</p>	<p>Quotation Summary Form</p> <p>Requisition email proforma sent to Finance.</p> <p>Confirmation of available budget.</p> <p>Procurement Report</p>
£20,000 to £100,000 (inc VAT)	<p>Specific sourcing advice, including contact with suppliers and Tender Evaluation Panels, should be sought and taken from CPT to ascertain the most appropriate sourcing strategy and guidance/templates, due to the complexity of public procurement rules & to review requirements on a 'case by case' basis.</p> <p>After receiving CPT advice, sourcing may be via at least 3 written competitive quotations, using a Request for Quotation form and evaluation of the quotations, or by formal tendering. If formal tendering is used, CPT involvement at all stages of the procurement is required.</p>	<p>For quotations:</p> <p>Procurement Pro forma</p> <p>Confirmation of available budget</p> <p>Procurement Report</p> <p>For Tendering:</p> <p>Procurement Pro forma</p> <p>Confirmation of available budget</p> <p>Tender Evaluation Report</p>

CLASSIFICATION

<p>Over £100,000 (inc VAT)</p>	<p>Frameworks will be considered in the first instance including OJEU compliant frameworks for contracts over the EU threshold.</p> <p>Where frameworks are not available and the value is in excess of the OJEU threshold, the requirement will be subject to the EU Procurement Directives and be sourced via an OJEU advertisement (or OJEU compliant framework). The CPT will advise on the appropriate process - see Roles and Responsibilities CPT will chair and facilitate Tender Evaluation Panels, to ensure:</p> <ul style="list-style-type: none"> • CPT-guided evaluation techniques are consistently used • Recordings of evaluation scores and decisions are rigorously produced so that contract award decisions can be explained to unsuccessful suppliers and, if necessary successfully defended, thereby reducing risks of legal challenge or reputation damage 	<p>Confirmation of available budget</p> <p>Tender Evaluation Report</p>
--	---	---