

Agenda item:	13
Report title:	Contract Management arrangements - Procurement Policy update
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Action:	To consider

Executive summary

Following an internal audit of our Contract Management arrangements, our Procurement Policy has been updated to make reference to value for money.

It is proposed that in future, minor amendments to the Procurement Policy are delegated to the Director of Resources and Quality Assurance.

Recommendations

The Executive Board is asked to:

- a** Approve the updated Procurement Policy at annex A.
- b** Approve that the approval of minor amendments to the Procurement Policy be delegated to the Director of Resources and Quality Assurance.

Background

- 1 Our Contract Management arrangements were audited in spring 2017, reporting to the Audit and Risk Committee on the 11 May 2017. Whilst the audit raised no specific concerns around value for money, it did highlight that there wasn't a formal policy statement.
- 2 The recommendation from that audit was to *"Introduce a standalone policy and guidance for contract managers for keeping value for money assessment and added value under review on an ongoing basis over the lifetime of the contract"*.
- 3 We have considered this recommendation and looked at best practice across other organisations. The norm is to incorporate value for money statements within the main procurement policy to avoid a proliferation of related policies. We propose to follow that approach and have included a new section in Annex A (paragraphs 5 & 6).
- 4 The value for money statements align with those recommended by the National Audit Office in their report *"Getting value for money from procurement"*.
- 5 Our current procurement operating procedures already align with the value for money section, so no changes to procedures and practices are required. However we have included additional guidance in our Contract Manager training and further guidance on managing contract variations has been added to the intranet.

Delegation of future amendments to the Procurement Policy

- 6 Previously all amendments to the Procurement Policy have been considered by the Performance and Resources Board. In future, we propose that approval of minor changes and points of clarification to the policy should be delegated to the Director of Resources and Quality Assurance. Major changes in approach would be reported to the Executive Board for approval.

**13 – Contract Management arrangements - Procurement
Policy update**

13 – Annex A

GMC Procurement Policy

Introduction

- 1 The GMC's procurement policy aims to support the business functions and achievement of strategic objectives by ensuring that all purchases of goods and services are made in a professional, transparent manner, employing best practice and achieving the most economically advantageous terms for the GMC without compromising quality, ethics, safety or security.

Legal and policy frameworks

- 2 All GMC Procurements have to comply with the relevant principles of the EU Treaty which prohibits any discrimination on the grounds of nationality, and also ensures equal treatment of all potential bidders and suppliers, fair competition, proportionality and transparency.
- 3 All goods and services contracts with a value above £164,176, or works contracts with a value¹ above £4,104,394 are subject to strict procedural rules in the EU Procurement Directives, and the UK Procurement Regulations that implement these directives. Contracts below these thresholds, although not subject to these procedures shall follow the spirit they prescribe.
- 4 The GMC will also follow any additional applicable guidance on the implementation of these regulations by the wider public sector organisations as set out by HM Treasury, the Crown Commercial Service (CCS) or others as appropriate. Where the guidance is categorised as “advisory” for wider public sector organisations, the GMC will consider their implementation on a case by case basis.

Value for Money (VfM)

- 5 Value for money is defined by the GMC as the optimum balance of whole life costs (WLC) and quality. The relative weighting of WLC and quality will be predefined in the

¹ Contract value calculated as the spend through the entire duration of the contract (including all extension options) accounting for forecast demand, and a reasonable assessment for the use of additional services

tender documentation and set specifically to each requirement's needs. The GMC will ensure that it obtains the optimal VfM outcome through appropriate competition based on the value and complexity of the procurement,

- 6** Through tendering, the GMC shall ensure value for money is obtained at the start of a contract, and throughout the life of the contract through active Contract Management activity. This is for contracts valued over £50k and running for over 6 months. Key considerations in obtaining and maintaining VfM include:
- Negotiating improved rates.
 - Getting an increased level or quality of service at the same cost.
 - Avoiding unnecessary purchases.
 - Ensuring that user needs are met but not exceeded.
 - Specifying the purchasing requirement in output terms so that suppliers can recommend cost-effective and innovative solutions to meet that need.
 - Introducing incentives into the contract to ensure continuous cost and quality improvements throughout its duration.
 - Aggregating transactions to obtain volume discounts.

Commercial Authority

- 7** The person giving commercial approval will be responsible for ensuring that the contract is procured in line with the GMC Procurement Policy, the goods/services are appropriate, and sufficient budget is available to cover the costs.
- 8** Commercial approval within the GMC is delegated in line with financial delegation and ensures that we have a clear framework that is applied consistently across all directorates:

Staff	Commercial Authority
Chief Executive and Chief Operating Officer	No limit within the constraints of the annual budget and business plan approved by Council.
Directors and the Chair of the MPTS	Up to £100,000 (inc VAT)
Assistant Directors and the Tribunal Clerk of the MPTS	Up to £50,000 (inc VAT)
Heads of Section	Up to £30,000 (inc VAT)
Other designated staff	Up to £10,000 (inc VAT)

Sourcing route

- 9 GMC has preferred suppliers for sourcing standard goods and services. This list is available on the Finance pages of the intranet, and should be used where applicable.
- 10 Where no preferred supplier exists, or the preferred supplier is unable to meet the specific requirement then the following matrix should be used to assess the preferred sourcing route:

Supply type	Contract value under £10K	Contract value between £10K and £50K	Contract value between £50K and £164K	Contract value over £164K
Consultancy	Use the framework agreement set out on the Finance pages of the intranet			
Commodity goods / services	Government e-Marketplace, frameworks, or quotes		Available Frameworks (as maintained by the Procurement Team)	
Research	1 quote	3 quotes	Tender	OJEU tender
Advocacy Services	1 quote	3 quotes	Tender	OJEU tender
Training	Use the framework agreement set out on the Finance pages of the intranet			
Specialist Contractors	Use the framework agreement set out on the Finance pages of the intranet			
IT services	Contact Procurement and IS Teams			
Specialist goods / services²	1 quote	3 quotes	Tender	OJEU tender

- 11 Any variation from these sourcing routes should be justified in a specific procurement strategy and approved by the Chief Executive or Chief Operating Officer.
- 12 If it is not possible to use the default sourcing route, then the following rules apply:

² Seek further advice from the Procurement Team

Value of Procurement (£)	Procurement route
Up to £10,000	One written Quotation
£10,000 - £50,000	Three written Quotations
£50,000 - £164,176	Formal Tender
Over £164,176	Full OJEU Tender

- 13** The default tendering procedure will be the open procedure.
- 14** Whenever possible, a Prior Information Notice will be issued up to 12 months before the target tender date.
- 15** All tendering activity will be managed by the GMC Procurement team.

Contract

- 16** For quotes and tenders, the default terms and conditions applied to a contract will be the standard GMC terms and conditions. Variation from this standard must be an element of the evaluation criteria.
- 17** Regardless of value, any variations from the standard GMC terms and conditions, or the use of non-standard terms and conditions, must be reviewed by the GMC's Procurement team prior to the award of a contract, who will identify the risks to the Commercial Approver.
- 18** Specifications will be drafted as output based specifications wherever possible, setting out both scope and quality requirements.
- 19** Extension of an existing contract within the terms of the initial agreement (i.e. take up of extension option), is the responsibility of the Commercial Approver, but will be administered by the GMC Procurement team.
- 20** Variation of a contract (i.e. altering the terms of a contract) is the responsibility of the Commercial Approver in conjunction with the Head of Procurement.
- 21** Duration of a contract will reflect the specific requirements for the service, but will be for an initial fixed period, with optional extension periods. The total of the extension periods will not exceed the initial period. The duration of the contract will be stated in the tender.

Evaluation

- 22** All quotations and tenders for a specific opportunity will be assessed against the same criteria i.e. quality, commercial and price measures, which will have been established (with scoring mechanism) and weighted before the tender is issued, with the criteria presented in the Invitation to Tender documentation.

- 23 A tender will be successful if it is the one that offers us the best value for money based on the pre-defined criteria (i.e. the agreed balance between quality and price).
- 24 Shortlisted tenderers, who have submitted the best proposals, may be invited to present their proposals. These presentations will be solely to clarify ambiguity in proposals and to amend scores if necessary in line with the same pre-defined evaluation criteria.
- 25 Evaluations will be moderated across multiple assessors.
- 26 Evaluation assessors will be required to declare any Conflict of Interests regarding the tender they are evaluating.
- 27 A contract will be awarded as soon as possible after the evaluation process has been completed.

Centralised information

- 28 Copies of all contractual information, regardless of value, should be sent electronically to the [GMC Procurement team](#) for storage in the GMC contracts database.

E-Procurement

- 29 Tenders will be conducted electronically, where possible.
- 30 Electronic signatures will be the default means of signing contracts.
- 31 E-auctions will be considered for the tendering of commodity items only.

Market Engagement

- 32 Market engagement is encouraged prior to the start of a tender in order to develop and enhance the GMC specification.
- 33 All suppliers should be provided with sufficient information about the tender so that all suppliers are bidding on the basis of a level playing field.
- 34 All supplier engagement during the tender should be as defined in the tender documentation.

Transparency

- 35 The GMC will endeavour to advertise all potential tendering opportunities, as soon as practicable, as a pipeline of future opportunities, on the GMC external site, www.gmc-uk.org.

- 36 All tenders valued over £50,000 must be published on a publicly available website prior to the initiation of the tender.
- 37 All award notices valued over £25,000 must be published on a publicly available website immediately following the award of the contract.

Sustainable procurement

- 38 The GMC will incorporate Government Buying Standards in all relevant contracts.
- 39 The GMC will incorporate consideration of environmental issues in the evaluation for all relevant contracts.
- 40 The GMC will ensure that all suppliers (including sub-contractors) delivering services to the GMC pay their staff at least the Living Wage.
- 41 GMC will attempt to remove obstacles to Small and Medium sized Enterprises tendering for opportunities, and will encourage their participation in the pre-advertising of opportunities.

Purchasing authority

- 42 Only individuals designated as “buyers” should order goods / services on behalf of the GMC.
- 43 To be designated as a “buyer”, an individual shall have attended buyer training.
- 44 Only individuals designated as “approvers” can authorise spend on goods / services on behalf of the GMC.
- 45 For a specific transaction, an individual can only be designated as one of a “buyer” or an “approver”.

Purchasing

- 46 The default approach to purchasing goods / services is through the raising of requisitions.
- 47 The GMC procurement card is available for purchases where invoices, BACs payments and cheques cannot be utilised. A completed procurement card request form [add link] must be approved by your line manager to use the card. All requests could be reviewed by Assistant Director of Finance and Procurement.
- 48 Individual GMC credit cards should only be used for travel, hotel and subsistence.
- 49 As a last resort, petty cash may be used for ad hoc low value items below £25.

Contract management

- 50 GMC will review each contract with suppliers at a minimum of every quarter.
- 51 The designated contract manager is responsible for conducting the contract reviews and informing the GMC Procurement team of the outcome.
- 52 Templates and guidance will be provided by the GMC Procurement team.

Personal Conduct and Ethics

- 53 All personnel directly responsible for entering into contractual commitments with third party suppliers must follow the GMC's policy on gifts and hospitality.
- 54 If there is a conflict of interest, the person must declare it to their line manager.

Fraudulent use

- 55 Any fraudulent use of any of the purchasing systems used by the GMC will result in disciplinary action and possible criminal prosecution.
- 56 In our stewardship of this spend it is important that we should be able to demonstrate:
 - a Value for money; and
 - b Standards of propriety, which are beyond reproach.
- 57 These procedures provide a framework for controls over our purchasing. This framework is supplemented by separate documented procedures as required.