



CMAL Procurement Strategy 2017-2018

Procurement Strategy

Overview

Procurement is defined as the acquisition, whether under formal contract or otherwise, of goods, services and works from third parties. In Fiscal year 1st April 2016 to 31st March 2017 CMAL spent approximately £60.8M on goods, services and works falling within this definition, including vessel acquisition.

This strategy paper sets out the context for public sector procurement that will inform and influence the way in which the company purchases goods, services and works and recommends a strategic approach to procurement.

CMAL is a small company of multi skilled professionals and employs a Procurement Manager to take a strategic role in setting the procurement strategy and in providing guidance and assistance in procurement matters. Procurement experience resides across the company enabling each department to contribute to the acquisition of their procurement needs, with direction, advice and support from the Procurement Manager.

Introduction

The purpose of this strategy is to set out how CMAL will plan and manage its procurement process to meet its corporate aims and objectives and comply with regulatory and legislative requirements. Public procurement requires organisations to seek the most economically advantageous tender through open and transparent competition in accordance with the statutory requirements of the Public Contracts (Scotland) Regulations 2014 and Scottish Government Public Procurement Handbook. In keeping with this, the overarching aim of the procurement strategy and function within CMAL is to achieve value for money. Value for money is defined as the optimum combination of whole-life cost and quality.

Legal and Policy Framework for Procurement

The legal framework for public procurement includes:

The EU Procurement Directives aim to ensure that public purchases are made in a fair and transparent manner. The Procurement Reform (Scotland) Act 2014 provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice. In the short term, individual organisations will be required to develop their working practices to align with the legislative and regulatory requirements introduced by the Procurement Reform (Scotland) Act 2014 and the implementation of the EU Directives.

Policy:

- Public Procurement Handbook and all associated Scottish Government publications
(1) Public sector procurement

- - Directive 2014/24 /EU replacing Directive 2004/18/EC
- (2) Utilities procurement (water, energy, transport and postal services)
 - Directive 2014/25/EU replacing Directive 2004/17/EC
- (3) Concession contracts
 - Directive 2014/23/EU

CMAL must comply with the general and legal obligations applying to public bodies as set out in these instruments. In addition, CMAL is required to engage with and provide information to Scottish Government on the following:

Procurement and Commercial Improvement Programme (PCIP) , Best Practice Indicators, Collaborative Procurement, Competition and Non-Competitive procurement, Health and Safety, Environmental, Sustainable Procurement and Community Benefits, Freedom of Information.

Procurement and Commercial Improvement Programme (PCIP)

A PCIP is conducted for all public bodies in Scotland. It aims to recognise and promote good practice and expose areas of weakness or lack of resource against a common set of standards for all aspects of public procurement. CMAL participates and prepares documentary evidence for an annual PCIP assessment conducted by Scottish Government. Objectives for improvement set following the PCIP assessment form an integral part of the procurement strategy for CMAL.

Objectives for Procurement going forward stem from the PCIP conducted in May 2016 and are provided at Appendix A below showing progress on all objectives. It is intended all objectives will be met in time for the next PCA in 2018.

Best Practice Indicators (BPIs)

BPIs form a standard reporting platform for all Scottish public-sector bodies to report efficiencies, cash and non-cash and procurement resource and influence on an annual basis. Procurement services in the public sector are continually under pressure to deliver performance improvements and to achieve financial savings through more efficient and coordinated service delivery. The 2006 McClelland report set out a vision of increased efficiency and professionalism through structured collaboration and a national effort to adopt best practice. The implications for CMAL are the need to:

1. Work effectively across public procurement sectors and organisations – Procurement must be able to look outwards, learn from others, share ideas and contract collaboratively;
2. Ensure effective contract and supplier management
3. Communicate effectively and ensure productive stakeholder and customer relations
4. Ensure compliance with good procurement practice –this is crucial to ensure that all public money is spent legally and transparently;
5. Continuously improve performance and innovation –be open to feedback and seek out opportunities to improve internal operation and services.

Collaborative Procurement

Scottish Government policy on collaborative procurement requires public sector bodies to commit to a cross-government collaborative approach to the procurement of common goods and services. Departments are required to take up centrally negotiated deals for certain goods and services to use the Government's (both Scottish and Westminster) collective buying power to get better value for money on a whole-life costing basis, agreeing any alternative only where justified. This requirement is to be applied where it is consistent with value for money policy and the UK regulations and EU Procurement Directives.

CMAL through its procurement policies and procedures are required to promote and engage in collaboration and information sharing with the relevant Centres of Expertise, Procurement Scotland and the Government Procurement Service. When procuring goods, services and works that CMAL will ensure where appropriate the utilisation of collaborative, central contracts and framework arrangements established by the above-mentioned bodies as they are progressively agreed.

Competition & Non-Competitive Activity

Competition promotes efficiency and effectiveness in public expenditure to meet statutory and best practice requirements. Awarding contracts based on value for money following competition contributes to the competitiveness of suppliers.

Goods, services and works should therefore be acquired by open, transparent and effective competition, including adequate publication of the contract opportunity, unless there are fully auditable, legal and justifiable reasons to the contrary.

Health and Safety

The degree to which health and safety requirements are specified within procurement documentation will vary according to the goods, services or works being purchased. For example, health and safety legislation applies in the context of construction. The potential health and safety risks arising from a contract will be assessed on a case by case basis. The European Single Procurement document (ESPD) will be used to ask suppliers to provide evidence to demonstrate that their company complies with current health and safety legislation and actively promotes and manages good health and safety practice.

Environmental, Sustainable Procurement and Community Benefits

CMAL is developing processes so operations meet high standards of sustainability by: managing our resources more sustainably, reducing our CO2 emissions, and making our corporate processes more sustainable.

We expect all suppliers of goods, services and works to CMAL to be able to demonstrate how they can meet the relevant sustainability requirements, and - where possible - variants have been indicated to encourage suppliers to provide options to their tenders allowing CMAL to choose a supplier that adds sustainability value to the supply of the goods, services or works, all other aspects being equal.

All CMAL contracts are selected on the basis of delivering the best value for the requirement specified. Where appropriate, sustainability criteria will be included in the Statement of Requirements for contracts issued by CMAL.

In all dealings with suppliers and potential suppliers, CMAL must preserve the highest standards of honesty, integrity, impartiality and objectivity. CMAL, when engaged in commissioning of tenders / contracts must:

- Be fair, efficient, firm and courteous
- Maintain the highest possible standard of integrity in all business relationships
- Achieve appropriate professional standards in the management of contracts
- Comply with the law, guidance on professional practice and contractual obligations
- Declare any personal interest which may affect or seen by others to affect impartiality and comply with the provisions laid out in the Bribery Act 2010 and the requirements laid out in the Staff Handbook on gifts and hospitality
- Respect the confidentiality of information received in the course of duty and ensure that information given in the course of duty is honest and clear and
- Respond promptly, courteously and efficiently to suggestions or enquiries, including compliance with Freedom of Information obligations following CMAL policies.

CMAL must comply with all relevant equality legislation. Where a contractor is carrying out a public function on behalf of CMAL, the legal liability for the duties in relation to that function remains with CMAL who contracts out the function.

Equality and Diversity requirements and Ethical Trading considerations will form part of the standard into CMAL Invitation to Tender to ensure that full consideration is given to the needs of, and the likely impact on, all users and others who will be affected by the contract.

Freedom of Information

In relation to public procurement, the Freedom of Information (Scotland) Act 2002 provides a general right of access to information about all public contracts and procurement activity held by contracting authorities, subject to certain conditions and exceptions. It also imposes a duty on contracting authorities to adopt and maintain a scheme for the publication of information. CMAL will comply with the provisions of the 2002 Act when responding to requests for information about public sector procurement. All tender documentation will refer directly to the following:

- CMAL cannot hold information in confidence unless it is genuinely sensitive in nature and therefore exempt from release. Even if an exemption applies, it may be subject to the tests of substantial prejudice and/or the public interest
- CMAL will not implicitly accept any confidentiality requirements or markings
- Bidders should identify any truly sensitive information up front and explain why and how long it is likely to remain sensitive. This can be for guidance only and cannot bind CMAL
- Should CMAL get a request for specified sensitive information (or where there is any doubt about the sensitivity of requested information) CMAL will consult the supplier(s) concerned but CMAL will make the final decision whether to release or withhold the information
- CMAL will publish information about its procurement process and contracts in accordance with its obligations of disclosure following contract award

Thresholds

Within the context set by these various legal and policy frameworks CMAL has adopted a threshold approach to its procurement process. This enables a sensible, devolved approach to procurement across the company, ensuring suitable and sufficient flexibility to obtain the range and value of goods, services and works required by CMAL while maintaining adequate and appropriate efficiency and effectiveness in the procurement process.

Thresholds to be applied as follows:

1. **Between £0 and £10,000.00** exclusive of VAT a best value supplier will be identified based on clearly defined product and/or services and /or works required and a minimum of one telephone quote sought
2. **Between £10,000.00 and £15,000.00** exclusive of VAT a minimum of 2 telephone quotes will be required based on clearly defined products and/or services and /or works required and recorded accordingly
3. **Between £15,000.00 and £50,000.00** exclusive of VAT a minimum of 3 written quotes will be required based on clearly defined products and/or services and /or works required. These will be conducted as far as possible using the Route 1 Quick Quote process of the Scottish Government Procurement Journey.
4. **Above £50,000.00 and EU threshold** (currently £181,302.00 (€221,000.00 for Supplies and Services for public bodies, £363,424.00 (€443,000.00) for utilities and £4,551,413.00 (€5,548,000.00) for works) exclusive of VAT will be advertised by way of an Invitation to Tender and full competitive tendering exercise carried out via the Public Contracts Scotland website using the Route 2 process of the Scottish Government Procurement Journey.
5. **Over the EU threshold** (currently £181,302.00 (€221,000.00 for Supplies and Services for public bodies, £363,424.00 (€443,000.00) for utilities and £4,551,413.00 (€5,548,000.00) for works) a full competitive European tendering exercise will be carried out using the appropriate procedure on the Public Contracts Scotland website.

Roles and Responsibilities

The following allocation of roles and responsibilities will be used to guide the development of the detailed procurement policies and procedures.

ROLE	RESPONSIBILITY
Approve Procurement Strategy to allow implementation	Senior Management Team (SMT)
<p>Ensure best value, legal compliance, transparency, ethical purchasing and ensuring that vital goods / services and works are delivered at the required levels.</p> <p>Publish and ensure the Procurement Policy on the CMAL website reflects current Procurement best practice providing access to all CMAL procurement processes and associated documentation.</p> <p>Maintain and operate a central electronic document management register and Contracts Register for all CMAL procurement processes for all quotations and tender exercises.</p> <p>Update and control all CMAL procurement documentation, including ESPD, PQQ ITT and purchase order terms and conditions.</p> <p>Control access to Public Contracts Scotland and approve all entries.</p> <p>For all requirements under £50k, issue or nominate issuer for Scottish Procurement Journey Compliant Route 1 Quick-Quotes. For all requirements over £50k, issue Invitations to Tender which will be compliant with the Scottish Government Procurement Journey process and manage the tender processes.</p> <p>Provide authorisation, direction, advice and guidance to other internal stakeholders including drafting, execution and management of contracts. Advise and help internal stakeholders through the quotation/tender evaluation process.</p> <p>Improve quality and help manage service delivery throughout the contract life cycle and any sustainability requirements.</p> <p>Liaise with Scottish Procurement Directorate regarding collaborative procurement activities.</p> <p>Liaise with Scottish Procurement Directorate regarding Procurement Capability Assessment and Best Practice Indicators, including the publication of all savings attributable to work performed via the procurement process.</p>	Procurement Manager
Procure goods / services / works according to CMAL procurement strategy, policies and procedures.	Procurement Manager with all staff holding delegated budget and procurement authority and/or approved substitutes and have signed the DPA letter

CMAL Delegated Purchasing Authority Limits.

Accountable officers will be required to ensure that these policies and procedures are implemented in accordance with the strategy and allow **only** those staff with appropriate purchasing authority to commit the company to new contractual relationships.

The Scottish Public Finance Manual states:

'Separation of Duties - there should be clear separation of budgetary authority and procurement authority. Budget holders should have authority to commission orders by specifying their requirements and providing budgetary authority for the expenditure. The authority to purchase (DPA) and ultimately place that order should be in separate hands. In addition, there should be an appropriate separation of duties within the purchasing cycle between staff that place orders, those who receive goods, services or works and those who authorise payment. Separation of functions should be designed both to provide necessary safeguards against impropriety or unethical practice and to ensure achievement of value for money.'

In practice, the CMAL budget holder will sign contracts providing authority for the expenditure while the purchasing officer will sign orders authorising the purchase. The officers filling these roles should never be the same.

Delegated Purchasing Authority levels will be monitored and published by the Financial Controller.

The Financial Controller will ensure that a signed copy of the Delegated Purchasing Letter is held for each employee with delegated purchasing authority.

Approval

Approval from the Board and Senior Management Team has been given to this Procurement Strategy.



Kevin Hobbs
Chief Executive

Date: 2017-2018

Examples of National Policies, Tools and Legislation can be found by clicking the following links (this is not an exhaustive list):

- [Scottish Model of Procurement](#)
- [Changes to European Directives](#)
- [Public Procurement Reform Programme](#)
- [Suppliers Charter](#)
- [EU Procurement Thresholds](#)
- [Procurement Journey](#)
- [PCIP](#)
- [Public Contracts Scotland](#)
- [Public Contracts Scotland – Tender](#)
- [Information Hub](#)
- [CMAL Procurement Policy](#)
- [CMAL Procurement Strategy](#)
- [CMAL Procurement Sustainability Policy](#)

Appendix A

Caledonian Maritime Assets Limited Procurement Capability Improvement plan (PCIP) Action Plan August 2017					
Assessment Area	ID	Action	By Whom	By When	Status
Leadership and Governance	1.3 Procurement Strategy	Update Procurement Strategy document, aligned with Corporate Strategy (statutory requirement) and 3/5 year company strategic plans	Procurement Manager (PM)	Dec-17	
	1.5 - Develop procurement individuals	Complete Training Programme for Future and Present Stakeholders	PM	Apr-18	
		Reflect procurement responsibilities in local managers/admin job descriptions.	HR	Feb-18	
		Introduce modern apprenticeship/graduate programme	HR/PM/SMT	Feb-18	
	1.6 - Internal control systems	Introduce spot-checks on those procurement activities not involving PM (small Value)	PM / Auditors	Embedded	
	1.7 - Procurement risk management	Identify key suppliers and form resilience contingency plans.	PM	Feb-18	
		Identify business and commercial risks and include on Corporate Risk Register where necessary.	PM	May-18	
	1.8 Counteract Fraud	Quarterly audit of all spend profile introduced All staff given fraud training	PM/HR	Embedded	
	1.9 Commercial Competence	All Regulated procurements are check with a check list for competence and compliance and VFM analysis done at market and throughout the project	PM/HR/SMT	Embedded	
	1.10 Continuous Improvement	Supplier Feedback and innovation drive introduced to all Procurements. Suppliers have the opportunity to be involved KPIS are now being gather and Development programmes developed	PM/Stakeholders	Embedded	
Development & Tender	2.2 Commodity Strategy	Commodity action plan is now being assessed. All Procurements have now a fully thought out plan using the procurement journey tools. Which will include pre tender work	PM	Embedded	
Contract	3.1 - Contract and supplier management	Identify key suppliers and form contract and supplier management plans.	PM	Jun-18	
		Include performance monitoring and management schedules in every key contract.	PM	Aug-18	
		Source training for contract managers to support their understanding of the task.	PM / SMT	Sep-18	
		Implement proactive contract and supplier management to key suppliers.	Contract Managers	Oct-18	
	3.2 Working with suppliers throughout contracts	Contract management approach to all major projects Introduced VFM and SLA which are measured and will be reported on, Supplier development plans to be introduced	PM/Contract managers	Apr-18	
3.3 - Increase contract coverage	Company strategy has been changed that all procurements must be approved by procurement. Small value purchases are audited by Procurement	PM/FD/Stakeholders/ Board	Sep-18		
3.5 Lesson Learnt	All Regulated Procurements will have a lessons learnt sign off before procurement is completed	PM/FD/Stakeholders/ Board	Apr-18		
Key Purchasing Processes	4.3 - Procurement process automation	Investigate and develop procurement automation systems to streamline quotation and tender document preparation and process.	ICT / PM/FD	Jun-18	
Procurement Sustainable Development Action Plan	Policy	Continue to update policies to facilitate and promote sustainable procurement and communicate progress to achieve sustainable procurement objectives to stakeholders Update procurement operating procedures, policy and strategy to incorporate sustainable development. <ul style="list-style-type: none"> Develop and adopt a clear structure for sustainable procurement policies that is clear and accessible for procurement professionals and wider stakeholder groups Contribute to public sector sustainable procurement initiatives and working groups Report progress to the health board sustainability working group and communicate to all staff through bulletins and Toolbox talks Establish procedures for publicising successes in Sustainable Procurement Public commitment to Sustainable Procurement by Chief Executive or equivalent to appear on websites and relevant internal and external communications 	PM/SMT/Stakeholders	Embedded	
	People	To deliver training and development activity that helps embed sustainable procurement activities within the Board <ul style="list-style-type: none"> Awareness raising and training plan (accessing either local or centrally arranged courses) on sustainability in procurement to be developed Engage with Staff to ensure sustainable procurement is built into governance structures Publish guidance and information to help develop sustainable procurement practices within the organisation Work with other public sector organisations to identify and share best practice. Explore the integration of sustainable procurement into personal objectives, appraisal processes and competency profiles 	PM/SMT/Stakeholders	Embedded	
	Engaging Suppliers	Work with suppliers to improve sustainability performance through the supply chain and stimulate innovation <ul style="list-style-type: none"> Develop communications which inform all suppliers to CMAL's boards policy on sustainable development and the importance it places on sustainable development issues in its purchasing decision making process Ensure that sustainable performance is measured as part of the management process for key suppliers and categories Further develop and initiate a supplier recognition programme structured to directly identify achievement and contribution from suppliers to sustainable development working with the organisation Facilitate the establishment of supplier sustainability programmes focussing on driving efficiency, innovation, risk management and increased opportunity. 		Dec-19	
	Measurement and results	Develop and utilise indicators of sustainable procurement performance <ul style="list-style-type: none"> Undertake self-assessment against the Flexible Framework Measure performance against sustainable procurement criteria in the Best Practice Indicators and the (PCIP) Capability Assessment model 		Dec-19	