

MANAGEMENT BOARD**Commercial Services Directorate UPDATE**

Note by the Commercial Director

Purpose

This paper updates the Management Board on progress to date in the Commercial Services Directorate (CSD) and seeks agreement to redrafted Policies governing procurement and award of contracts.

Issues for the Board

2. We are requesting that the Board review and approve the attached Policies document. If approved, the policies will be published on the Procurement intranet site and assist in ensuring that Commercial activities within the House are consistent and auditable.

Progress since January 2009

3. CSD was formed in January 2009 and was tasked with providing professional commercial and procurement advice as well as delivering value for money for the House.

4. In the past four months policies have been produced and reviewed with the Department Director Generals and their key managers, the Procurement handbook and desktop guidance updated to be published on the intranet in May. Training is being updated to be completed in mid May.

5. The Directorate is in the process of moving to a “transactional and professional services” model. This will enable a focus on contract management throughout the life of the contract; and will include the responsibility of ensuring that regularly scheduled performance reviews are undertaken as well as providing support and problem solving between suppliers and the House.

6. A new e-procurement tool will be deployed within Parliament shortly. This tool comprises a tender portal, tender and sourcing processes including e-auctions and a contract management module. The tool provides a robust audit trail, recording all activities by date, time and who accessed. A consolidated parliamentary contracts register is to be published on both intra and internet and will support use of corporate contracts and frameworks, ensuring value for money and visibility of aggregation opportunities. PICT and the Lords will also use the tool.

Bonnie Mohan

Director Commercial Services

May 2009

Annex

Policies Governing Procurement and Award of Contracts for the House of Commons

A. Introduction

1. 'Procurement' is the whole process of acquisition from third parties and covers goods, services and construction projects.
2. This document sets out the House of Commons (HoC) Procurement Policies. It applies to **all procurements**, e.g. goods, services (including specialists, consultancies and research) and works/construction. The policy applies to procurements funded from both programmes and running costs. It is intended for the information of everyone in the House of Commons who is involved in procurement whether as budget holder/customer, purchaser, expenditure authoriser, or contract manager/project sponsor.
3. The key elements of the policy reflect the corporate values set out in the Corporate Business Plan of the House of Commons i.e. The House of Commons Service seeks to serve the House of Commons, its Committees and Members, and the public, with honesty, probity and political impartiality; strives to achieve high ethical standards, value for money, act with integrity and honesty. In this context it is worth pointing out that use of competition helps to protect the individuals involved in procurement by providing evidence of fair and open treatment in addition to helping support value for money.
4. These policies do not apply to the House of Lords (HoL); the Director of Commercial Services is consulting the HoL to ensure policies are consistent across both Houses. When HoC and HoL work on joint tenders/contracts, any differences between policies will be agreed prior to the start of the tender. These policies apply to PICT as stated in the document.
5. It is the responsibility of all line managers to ensure that any staff involved in procurement processes adhere to the principles outlined in these policies.

Signature of Chief Executive _____

Date _____

B. Application of these policies

6. The following policies are supported by detailed procedures and processes set out in the Procurement & Contracts' Handbook, issued by the Commercial Services Directorate, Department of Resources.

7. Though issued under separate cover, the procedures must be treated as an integral part of the policies.

8. The policies apply to all officers and staff of the House and it is the responsibility of the Management Board, through appointed senior managers or management teams, to ensure the policies are adhered to and that all staff under their charge are adequately trained in their application.

9. Every contract let and purchase order issued must comply with the procedures set out in these policies. General compliance with these policies, including compliance by the Commercial Services Directorate, will be checked by Internal Audit.

10. The policies shall be subject to any overriding provisions in any statute, Statutory Instrument, UK Public Regulation or applicable Directive of the European Union, and the House shall comply with such provisions as if they were contained in these policies. The policies will be reviewed and updated as required to remain compliant.

11. These policies and supporting guidance are linked to and consistent with other policies issued by the House (such as the Resource Framework).

C. Exceptions

12. No exceptions to these policies will be made other than with the agreement of the Director of Commercial Services and every such exception shall be documented with detailed reasons for it. The Director of Commercial Services will report to the Management Board on exceptions annually.

13. Where circumstances of an urgent nature give rise to the necessity to incur expenditure or to award contracts in contravention of these policies, the relevant senior manager shall obtain the authority for such action from their Head of Department and shall notify the Director of Commercial Services prior to any transaction being entered into.

14. The PICT Procurement lead will be the first point of contact for PICT staff and will review any deviations to these policies for HoC projects and procurements with Commercial Services prior to entering into a contract that is being paid for out of HoC budgets.

D. The Policies

1. Ethics

1.1. All staff must act in the public interest, with integrity, objectivity, accountability and be able to demonstrate on all procurements that our actions have been undertaken in an open and fair manner. Staff should also exclude any possibility of a conflict of interest.

2. Financial Controls

2.1. Budget holders must have full financial authority at the appropriate level before engaging with any external third party.

2.2. Before a formal tender is started, advice may be sought from the Commercial Services Directorate. The value of a tender is based on the aggregated value of the potential contract. In all cases, any spend on goods or services potentially in excess of £90,000 will require the involvement of the Commercial Services Directorate.

3. Business Cases

3.1. Budget holders must follow the policies and procedures as set down by the Department of Resources in respect of business cases.

3.2. Business cases that recommend testing or approaching the market to secure goods, services or works must include sign off from Commercial Services Directorate prior to their submission as per the business case procedure.

4. Tendering

4.1. EU Procurement Directives must be adhered to when tendering and Commercial Services Directorate advice and support must be sought on all tenders that are subject to the Directives (see Annex)

4.2. Procurement procedures and processes must be followed on selection of tenderers for all requirements in excess of £25,000.

4.3. All budget holders are accountable for ensuring expenditure is committed to meet the requirements in ways that deliver best value for money. Commercial Services Directorate must be consulted on the use of single tender actions, before any action is taken.

5. Forms of Contract

5.1. Contracts will adhere to the standard pattern and terms agreed by the House and as set down in the procedures.

5.2. No amendments, modifications, additions or deductions shall be made to standard House contracts without first seeking advice from the Commercial Services Directorate and securing their agreement to any changes, in writing.

6. Use of Frameworks

6.1. Where they exist the House will make use of its own framework agreements as a matter of preference.

6.2. Where own frameworks do not exist or the Commercial Directorate agrees that a framework is not capable of meeting the requirement, external frameworks can be used.

7. Use of External Consultants in Procurement Exercises

7.1. When external consultants are engaged to undertake project or contract management duties they will be issued a form of contract that requires them to abide by these policies and the underlying procedures and processes.

7.2. Where external consultants are used to support or advise on tendering activities they must not issue any related documents without going through the Commercial Services Directorate, which shall have responsibility for checking and, if necessary, correcting all such documents.

7.3. In the event of a dispute between external consultants and the Commercial Services Directorate in respect of tendering protocols, documentation or governances, the external consultants shall defer to the Commercial Services Directorate.

8. Remedies

8.1. If it is determined that these policies have not be followed, responsibility for such failure shall rest with the budget holder.

8.2. A failure to follow these policies may result in disciplinary action as described in the HoC Staff handbook, being taken against those found in violation of these policies.

Glossary of Terms

Budget Holder

The person with responsibility for the budget.

Business Case

A business case justifies the investment of money and other resources in a project.

Contract Manager/Project Sponsor

The person responsible for managing the contract.

Expenditure Authoriser

The person approving the expenditure.

Framework Agreement

A framework agreement is an arrangement with a number of pre-assessed and approved suppliers.

Internal Audit

Internal Audit, part of the OCE, conducts reviews to ensure that policies and procedures are being adhered to.

Invitation to Tender (ITT)

The Invitation to Tender (ITT) suite of documents is the means by which the buyer's requirements are conveyed to prospective tenderers.

Procurement

The whole process of acquisition from third parties covering goods, services (including specialists, consultancies and research) and works/construction projects.

Purchase Order

A document issued by a buyer to a supplier indicating the buyer's intent to purchase specific quantities of a product or service at specified prices.

Running Costs

The day to day costs incurred in operating the House.

Tender

A tender is a supplier's written response to the Invitation to Tender.

Value for Money

The optimum combination of whole-life cost and quality to meet the user's requirement.

Appendix

***Threshold Table for Tenders as of January 2009**

Low value

- Up to £1,000 1 oral quote
- £1,000 - £2,000 2 oral quotes
- £2,000 - £5,000 2 written quotes
- £5,000 - £25,000 3 written quotes

Medium value

- £25,000 - £90,000 3 formal tenders

The EU thresholds as at May 2009 are:

- Supplies and Services £90,319
- Works £3,497,313

*This table identifies the different procurement processes that must be followed dependent on the value of the tender. The approval tables for expenditure of funds for contacts and projects are identified in the Resource Framework.