



Public Board Meeting

**May 2018
Item No 07**

THIS PAPER IS FOR APPROVAL

AMENDED STANDING FINANCIAL INSTRUCTION

Lead Director Author	Julie Carter, Interim Director of Finance & Logistics Jenny Neville, Head of Procurement
Action required	The Board is asked to approve the amended standing financial instruction for publication.
Key points	<p>The key changes in this document are:-</p> <ul style="list-style-type: none"> • to clarify the process for awarding call-offs from framework contracts that have been awarded by other contracting authorities which had been inconsistent previously. Following the October Audit Committee and discussions with the Board Chair, it was agreed to strengthen the governance process surrounding call-offs and a revised process is submitted to the Board for approval. (section 13) • Authorisation levels for contract awards have been updated (section 13) • OJEU thresholds for goods and services and works have been updated accordingly (section 11) • From 1st April 2018 an additional PECOS system control is being put in place for all non contract purchases whereby, prior to final purchase, the finance team are required to approve the purchase subject to budget being available.
Timing	At its meeting on 16 April 2018, the Audit Committee endorsed the proposed amendment to the SFI for submission to the Board for approval.
Link to Corporate Objectives	The Corporate Objective this paper relates to is 6.2 which aims to improve efficiency and effectiveness.
Contribution to the 2020 vision for Health and Social Care	This change is intended to support the Board's need to achieve savings to re-invest in patient care.
Benefit to Patients	Procurement is a support service so benefits to patients are indirect, for example, through delivering savings that can be re-invested in patient care.
Equality and Diversity	Not applicable.

SCOTTISH AMBULANCE SERVICE BOARD

Standing Financial Instructions

SECTION 10

PROCUREMENT (2018 UPDATE)

Introduction

1. The purpose of this section is to outline the key controls for the proper management of expenditure with third party suppliers for budget holders and other stakeholders.

2. This will be supplemented by more detailed written processes for Procurement staff and procedures for stakeholders.

3. The Head of Procurement has overall responsibility for procurement processes and procedures within the Scottish Ambulance Service as delegated by the Director of Finance. [Procurement processes will be based on the Scottish Government's Procurement Journey.](#)

Public sector procurement

4. The Scottish Ambulance Service is required to comply with public procurement legislation which is based on EU Directives. The underlying principles of this legislation are:

- Transparency
- Equal treatment and non-discrimination
- Proportionality
- Mutual recognition

5. This means that public sector procurement processes must be fair, open, not disproportionately demanding and provide opportunities to suppliers in all EU member states. The legislation is very specific regarding the procurement process and in some cases prescribes timescales for particular stages that must be followed.

6. In addition, the Service is required to comply with the Procurement Reform (Scotland) Act 2014. This legislation created 'regulated procurements' between £50,000 for goods and services (£2m for works) and the prevailing threshold for the application of the EU Directives, and brought in additional requirements that must be met including the sustainable procurement duty.

7. In order that these requirements can be properly met it is important that budget holders and other appropriate stakeholders involve Procurement as early as possible in planning for third party expenditure. [Budget holders must have funding available from their budget, or approval of funding \(budgetary approval\) from the Executive Team before commissioning a procurement process.](#)

From 1st April 2018 an additional PECOS system control is being put in place for all non contract purchases whereby prior to final purchase the finance team are required to approve the purchase subject to budget being available.

For information also – the PECOS system is being updated and from June 2018 onwards all contract purchases can also have this additional system control. During these 3 months the finance team working with a regional team (as a pilot) will assess the volumes and feasibility of including additional approval controls at ASM and Regional Director level.

Collaborative procurement ([framework contracts](#))

8. Collaborative procurement (i.e. procurement undertaken by or on behalf of groups of public sector buying authorities to achieve best value) is increasingly common. The Scottish Ambulance Service will support and utilise these [framework contracts](#) unless there is a compelling reason why not which has been ~~agreed with the appropriate buying authority and is~~ documented and signed off in accordance with the Service's scheme of delegation.

9. The Scottish Ambulance Service will also support the move towards commitment contracts unless there is a compelling reason why not which has been ~~agreed with the appropriate buying authority and is~~ documented and signed off in accordance with the Service's scheme of delegation.

Advertising

10. Where a suitable collaborative contract does not exist, the first stage in the procurement process is ensuring adequate publicity for appropriate opportunities. Purchases/contracts in excess of £50,000 should be advertised on the Public Contracts Scotland portal (lower value purchases may also be advertised). Purchases/contracts in excess of the relevant EU threshold must also be advertised in the Official Journal of the European Union. Contract values should be based on the duration of the contract, not just a 12 month period. The Procurement team have electronic access to submit adverts to these publications on behalf of budget holders.

Procurement processes

11. The Procurement team will support budget holders to complete the appropriate procurement process for the relevant level of purchase. The complexity of the procurement process depends on the anticipated value of the expenditure over the expected duration of the contract. These are as follows:

Purchase/contract value	Process
Goods and services: £5,000 - £49,999 Works: £25,000 - £2m	Minimum of 3 quotations to be obtained (usually via Quick Quote)
Goods and services: £50,000 – OJEU threshold Works: £2m – OJEU threshold	Appropriate advertising and competitive tender
Goods, services and works: Over relevant OJEU threshold	Appropriate advertising and competitive tender in line with legislation

* Note: The OJEU threshold for goods and services is £118,133~~406,047~~ from 201~~86~~, and £4,551,413~~4,104,394~~ for works (works are construction and construction-related contracts). The thresholds are revised every 2 years.

12. There are a few exceptions to the above requirements. These are:

1. An appropriate collaborative contract awarded by another authority exists and can be utilised. (A mini-tender process may be required.)
2. Single source (subject to constraints and subject to appropriate sign off in accordance with the scheme of delegation).
3. Property transactions.

Contract award

13. Contract awards shall be approved as follows.

Purchase/contract value	Authorisation level
Up to £49,999	Senior Procurement Specialist
£50,000 - £249,999	Head of Procurement
£250,000 - £499,999	Director of Finance or nominated deputy or Assistant Director of Finance
£500,000 - £999,999	Chief Executive
£1,000,000 and over	Scottish Ambulance Service Board <u>and then executed by the Chief Executive</u>

All contract documents must be signed in accordance with this scheme of delegation. except any external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (non-competitive action) over the value of £100,000 which must be endorsed in advance by the Chief Executive.

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Note: Call-off purchases based on existing service framework contracts will also follow the authorisation levels above with the exception of existing call off orders in excess of £1m that will be approved by the Chief Executive and do not in addition require Scottish Ambulance Service Board approval. These call off orders relate only to 'business as usual' operations and are reviewed on a regular basis, any contracts greater than £1m that are deemed 'extraordinary' will seek Board approval through existing business case governance processes. ~~do not require Board approval irrespective of value as the contract has already been awarded by the relevant contracting authority. This is distinct from the budgetary approval to commit the expenditure (see Section 7 above).~~

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Purchase orders

14. All goods, services and works must be ordered using an official purchase order. Purchase orders must be raised in advance of a commitment to spend being made. If the exact value of the purchase cannot be identified at the time the commitment is made a purchase order containing an estimated value shall be raised. This order can then be amended once the exact value is known. The Scottish Ambulance Service supports the principle of 'No Purchase Order, No Pay' set out in the Scottish Government's CEL 05 (2012) of 1st March 2012.

15. In most cases purchase orders must be raised using PECOS (the eProcurement system provided by the Scottish Government. In the case of vehicle parts (only), this will be the fleet management system. Where appropriate the Director of Finance will grant approval for no purchase order to be raised where the raising of a purchase order does not add to the control environment. Items currently covered by such approval are:

1. Utilities
2. Items paid by direct debit (e.g. diesel purchases)
3. Items purchased via corporate credit card
4. Medicines (excluding morphine) and medical gases

The exceptions will be monitored and reviewed on an ongoing basis.

16. Electronic ordering systems shall contain controls to ensure proper segregation of duties in the ordering process. Budget holders are responsible for ensuring that they advise the appropriate system administrators in the event of staff changes.

17. Budget holders shall also ensure that they have adequate budget for all items ordered.

18. Budget holders are also responsible for ensuring that purchase orders are appropriately receipted on a timely basis to enable the Service to pay suppliers' invoices within the Scottish Government target time (currently 10 days).