

# **NIFHA Procurement Policy**

October 2009

## **Purpose**

NIFHA's purchasing policy is designed to demonstrate openness, competitiveness and equality, with due consideration given to quality and value for money.

This document sets out the policy, processes and procedures to be used for purchasing of capital works, goods and services of varying values and types. It also details the responsibilities of the Chief Executive, designated management and those involved in purchasing with regard to maintaining ethical standards.

## **Scope**

The scope of procurement covers a number of categories including:

- Capital Works (e.g. dock structures, operational buildings)
- Goods (e.g. materials)
- Services (e.g. consultants, insurance services, legal services, utilities)

## **Compliance with Public Procurement Policy**

The Authority's procurement activities will comply with the public procurement guidelines detailed in the Financial Memorandum agreed with the Authority's sponsor Department, The Department of Agriculture and Rural Development (DARD). This Financial Memorandum is itself based on guidance detailed in 'Government Accounting for Northern Ireland (GANI)'.

In practical terms compliance will be achieved by procuring works, goods or services through a Centre of Procurement Expertise either by using the Service Level Agreement (SLA) drawn up between the Department of Agriculture and Rural Development (DARD) and the Central Procurement Directorate (CPD), or by directly negotiating a Service Level Agreement with the CPD e.g. for the use of a Framework or Measured Term Contract.

Exceptions to these arrangements will be agreed with DARD and/or the CPD (see Section 4.3 below).

## **Ethical Standards**

Misuse or misappropriation of the assets and funds of the Authority is a serious matter, which could ultimately lead to criminal proceedings. Authority staff who influence or undertake the purchasing of works, goods and services must uphold to the highest ethical standards.

In particular they:-

- must, in all their actions, comply with the letter and spirit of all legal requirements in respect of the Authority.
- must not use his/her position to obtain personal gain from those doing business or seeking to do business with the Authority.

- must not accept gifts or other personal rewards, of other than token or nominal value, from persons doing or seeking to do business with the Authority. Any gift intended to influence business transactions with the Authority should be refused.
- must only accept hospitality provided it is approved in advance by the Chief Executive. Hospitality of a kind calculated to subject the recipient to illicit obligations must always be refused.
- must not undertake commitments or involvements that give rise to a conflict of interest between fulfilling responsibilities to the Authority and fulfilling responsibilities arising from such other commitment or involvement.
- should seek advice from the Chief Executive if they consider that there is an actual or potential conflict of interest. He/she should formally declare any source of potentially conflicting interest in a register kept for that purpose by the Authority.

## **PROCUREMENT POLICY**

### **Purpose**

The purpose of this policy is to ensure that the Authority:

- Correctly identifies the works, goods and services it needs to achieve its objectives
- Performs a critical evaluation of what is purchased and why
- Obtains the works, goods and services that it needs at the right price, time and quality
- Can demonstrate a robust and reasonable decision making process.

### **Scope**

In general terms procurement is made up of the following processes:

1. Identifying and confirming the need for works, goods and services
2. Developing a Statement of Requirements and an Evaluation Model
3. Deciding on a Procurement Strategy taking account of Expenditure Control Limits
4. Purchasing the Works, Goods or Services on a Value for Money basis
4. Managing the Contract
5. Reviewing and Post Contract Evaluation

#### **1.0 Identifying the Need for Works, Goods or Services**

It is expected that the Authority's planning process will accurately identify and reflect the main purchases of works, goods and services to be made over the short term (i.e. up to 2 years).

Once a need for works, goods and services has been identified a provisional allocation of money may be made through the budgeting process.

The success of this process may be judged by the number of material purchases made in any period that were not identified in any plan.

### **1.1 Confirming the need - Economic Appraisal / Business Case**

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under consideration. A 'comprehensive' economic appraisal in line with the guidelines 'Economic Appraisal in Central Government' (new Green Book) will be undertaken for expenditure of £250,000 or more.

For the avoidance of doubt the Chief Executive may request a business case or an economic appraisal for any purchase irrespective of aggregate value.

### **2.0 Developing a Statement of Requirement and an Evaluation Model**

A clear statement or specification of the capital works, goods or services to be purchased will be made in advance of the procurement process along with a definition of a suitable evaluation model which will be used to assess proposals submitted by prospective suppliers.

### **3.0 Developing a Procurement Strategy taking account of Expenditure/Procurement Control Limits**

Expenditure limits will be used to determine which approach should be taken with regard to a tendering procedure. The amount to be considered is the aggregated value of the purchases that form part of the same requirement and shall, where appropriate, take account of need for a minimum period of one year.

<b>Expenditure Thresholds</b>	<b>Number/Type of Tender Required</b>
Up to £1,500	Up to 3 Oral Quotations depending on the need to have a price comparison (fax or e-mail confirmation should be obtained)
Between £1,500 and £10,000	4 Selected Tenders
Between £10,000 and £30,000	5 Selected Tenders
> £30,000 - EC Thresholds	Publicly advertised open or restricted Tender competition

**Note:** A tender normally requires that the procurement be subject to the contracting authority's terms and conditions. Procurement by quotation is usually on the basis of the suppliers' terms and conditions.

### **3.1 Supplier Sourcing**

When selecting suppliers to be invited to submit a quotation or tender for procurements below £30k threshold, contracting authorities should provide opportunities for Small and Medium Sized Enterprises (SMEs) to compete for the business in line with the Procurement Board's policy on SMEs.

If supplier lists are being used in the selection process contracting authorities should ensure that such lists are regularly refreshed and provide an easily accessible and transparent process for suppliers who wish to be considered for inclusion on a list. To maintain competitiveness in the market and provide protection against supplier collusion contracting authorities should also avoid inviting the same suppliers to bid for procurements.

### **4.0 Purchase of Works, Goods or Services on a Value For Money basis**

The objective of this process is to ensure that a selected supplier has offered better Value For Money than that offered from any other potential supplier. There should be demonstrable competitiveness amongst suppliers.

This can only be reasonably achieved by inviting competitive tenders (for high value or unique specification equipment) or quotations (for low value or standard "off the shelf" specifications). It may be the case that there is only one possible supplier for specialist goods or services.

Assessment of tenders shall be based on the predetermined evaluation model which will be designed to demonstrate Best Value For Money i.e. the optimum combination of whole life cost and quality (or fitness for purpose) to meet the Authority's requirement.

### **4.1 Authority to Purchase**

All Authority staff must take reasonable steps to ensure that they have the authority to commit to any expenditure before they undertake it.

#### **Being a Budget Holder does not confer any authority to purchase.**

Harbour Masters, the Project Manager and the Accounts Administrator have authority to purchase up to £600.

All purchases above £600 are subject to CEO approval. In the absence of the CEO approval should be sought from the Accounts Administrator.

All purchases over £5,000 are subject to Board Approval.

If any staff member has any doubts or concerns about their authority to purchase a particular item they should direct a query to the Chief Executive.

## **4.2 Purchasing Procedure**

In order to ensure that procurement activities are carried out correctly the Procurement Checklist as detailed in Appendix 1 should be followed.

## **4.3 Exceptional Purchasing Arrangements**

While it is the Authority's policy to use the CPD procurement arrangements as much as possible either by direct agreement (e.g. Framework or Measured Term Contracts) or indirectly through the DARD Service Level Agreement there will be occasions when it will be appropriate for the Authority to make its own procurement arrangements.

Circumstances in which this could occur include:

- extreme urgency e.g. in the event of a major incident
- purchase of a 'specialist' or 'one-off' nature
- Sole Supplier Contract (subject to the advice of CPD)
- operational expediency
- cost effectiveness of a local supplier
- standardisation or continuity of supply is important and justified on a Value for Money basis (subject to the advice of CPD)

Exceptional Purchasing Arrangements will be agreed in the Authority's Financial Memorandum with DARD and / or in a Service Level Agreement with CPD.

## **5.0 Managing the Contract**

The Delegated Purchasing Officer will be responsible for the monitoring and reporting (to the Project Manager or the Accounts Administrator) of supplier performance throughout the period of supply.

The Authority has documented procedures for the management of capital works and maintenance projects. These are reviewed on a regular basis.

## **6.0 Reviewing and Post Contract Evaluation**

A periodic review and evaluation of the outcomes generated by procurement expenditure will be carried out to check if the requirements were met in full, on time and to budget. This exercise will also enable lessons to be learned in order to facilitate continuous improvement in the procurement process.

## **NIFHA Procurement Policy**

### **Procurement Procedure Checklist**

#### **Identify and Confirm Need for Purchase**

Ensure that the purchase is needed for the business of the Authority and that an appropriate business case or economic appraisal has been prepared.

#### **Check Quantity, Specification or Brief**

Ensure that purchase requirement is clearly defined and that objectives and or outcomes are S.M.A.R.T.

#### **Check Authority to Purchase**

All staff must check that they have the delegated authority to purchase works, goods or services on behalf of the Authority. If necessary, CEO, Board and DARD approval should be obtained.

#### **Check Procurement Route**

Use the most appropriate procurement route i.e. DARD Service Level Agreement, CPD Measured Works or Framework Contract, or Local Contract. In this respect advice should be obtained from the Accounts Administrator or CEO.

#### **Tender/Quotation Route**

When tendering for works, goods or services, consider taking advice from the CPD and follow the Tendering Approach and Procurement Control Limit guidance given in policy document. Select the supplier on a Value for Money basis.

#### **Purchase Order**

Once a supplier has been selected a purchase order should be completed, signed and dated by the Designated Purchasing Officer. This completed Purchase Order should be forwarded directly to Head Office ensuring pricing is clearly marked.

(It is recognised that a Purchase Order will not be raised for all purchases e.g. utilities, etc.).

#### **Receipt of Goods**

When goods are received they should be physically checked against the delivery note (if available) and against the purchase order to ensure that goods of the correct quality and quantity have been received. The delivery note should be signed by an Authorised Person. The Delivery note should then be filed and married up with the invoice when it arrives.

#### **Invoice**

On receipt of an invoice it should be checked against both the delivery note (for quantity) and the purchase order (for price).

Any discrepancies should be noted immediately and details faxed to the supplier.

Invoice should be date stamped and signed by the Harbour Master or Deputy if the Harbour Master is on leave. Delivery Note should be attached to back of invoice and forwarded to Head Office for payment.

## **Post Contract Evaluation**

On completion of the contract the Designated Purchasing Officer should check that the requirements have been met in full, on time and to budget. This information will be maintained by the Project Manager for all capital and maintenance works and engineering services and by the Accounts Administrator for the supply of all other goods and services.