

# DEPARTMENT OF FINANCE AND PERSONNEL

## PUBLIC PROCUREMENT POLICY

### SUMMARY STATEMENT\*

#### MESSAGE FROM THE MINISTER

I am delighted to present this summary of the revised policy on public procurement and to be associated with its implementation through my chairmanship of the Procurement Board. Public procurement is at the heart of government as it affects all of us from providing pens and pencils for our office staff to new schools and hospitals for our citizens. The process of procurement is a means to an end and achievement of that end through best value for money will only come about with the co-operation and innovation of suppliers. I look to purchasers to develop partnerships with our suppliers and promote best practice to the mutual benefit of all and I commend implementation of this revised policy to all public bodies in Northern Ireland.

#### **DR SEÁN FARREN MLA**

Minister of Finance and Personnel

#### Introduction

1. At its meeting on 16 May 2002, the Northern Ireland Executive agreed to a revised public procurement policy for Northern Ireland. The policy was launched by the Minister of Finance and Personnel in the Assembly on Monday 27 May 2002 in a statement announcing the Executive's decision. This paper sets out the policies adopted by the Executive and the organisational structures which have been established to implement them. As Director of the newly established Central Procurement Directorate I look forward to working with the various public bodies to implement the revised policy and deliver best value for money through professional procurement.

#### **J McMILLEN**

Director

#### Procurement Policy

2. The Executive's legislative responsibility for public procurement extends only to procurement carried out by contracting authorities as defined in the Public Procurement Regulations within devolved areas. This includes Northern Ireland Departments and their Agencies, Northern Ireland public corporations, Northern Ireland non-Departmental public bodies (including Health and Social Services Boards, Education and Library Boards and Health Trusts) and local authorities. Public procurement policy, therefore, applies to all public bodies for which the Executive has legislative responsibility.

\* Full text available at <http://www.cpdni.gov.uk/ps/index.htm>. Select "Publications".

3. The Executive has agreed that the new policy should be guided by a clear definition of public procurement and the concept of “best value for money” and has therefore adopted the following definitions:
- “Public procurement” is the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public service. This definition covers both conventionally funded, more innovative types of procurement such as PPP/PFI and contracting out of services previously delivered by the public sector. The process spans the whole life cycle from mutual conception and definition of need to the end of the useful life of an asset or the end of a contract.
  - The concept of “best value for money” is defined as “the optimum combination of whole life cost and quality (or fitness for purpose) to meet the customer’s requirements”. While “best value for money” will be the primary objective of procurement policy, this definition allows for the inclusion, as appropriate, of social, economic and environmental goals within the procurement process.

### Principles

4. The administration of public procurement is governed by the following principles:-
- Accountability:** effective mechanisms must be in place in order to enable Departmental Accounting Officers and their equivalents in other public bodies to discharge their personal responsibility on issues of procurement risk and expenditure.
  - Competitive Supply:** procurement should be carried out by competition unless there are convincing reasons to the contrary.
  - Consistency:** suppliers should, all other things being equal, be able to expect the same general procurement policy across the public sector.
  - Effectiveness:** public bodies should meet the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement.
  - Efficiency:** procurement processes should be carried out as cost effectively as possible.
  - Fair-dealing:** suppliers should be treated fairly and without unfair discrimination, including protection of commercial confidentiality where required. Public bodies should not impose unnecessary burdens or constraints on suppliers or potential suppliers.
  - Integration:** in line with the Executive’s policy on joined-up government, procurement policy should pay due regard to the Executive’s other economic and social policies, rather than cut across them.

- viii. **Integrity:** there should be no corruption or collusion with suppliers or others.
- ix. **Informed decision-making:** public bodies need to base decisions on accurate information and to monitor requirements to ensure that they are being met.
- x. **Legality:** public bodies must conform to European Community and other legal requirements.
- xi. **Responsiveness:** public bodies should endeavour to meet the aspirations, expectations and needs of the community served by the procurement.
- xii. **Transparency:** public bodies should ensure that there is openness and clarity on procurement policy and its delivery.

### **Implications of the Principles**

- 5. The Executive accepts that the implications of adopting the principles will include:
  - i. The Executive's economic, social and environmental strategies and initiatives should be more closely integrated into procurement policy.
  - ii. Public bodies should ensure that there is appropriate consultation with those affected by the outcome of the procurement system.
  - iii. Greater emphasis on integrating the North/South, UK and European-wide procurement markets, as well as greater collaboration between Northern Ireland public bodies.
  - iv. The establishment of better information, management and monitoring systems to aid decision-making and improve contract management.
  - v. Public purchasers should use their commercial influence to improve the competitiveness of suppliers and ensure that appropriate procurement policies and principles cascade down the supply chain.
  - vi. Improve the training and management of professional procurement teams and implement best practice to effect the principles and to exercise judgement in complex circumstances.
  - vii. Revision of current Accounting Officer Memorandum and other government guidance to reflect the principles.
  - viii. New institutional structures need to be put in place to co-ordinate the introduction of these procurement policies and principles.

## **Procurement Board**

6. A Procurement Board chaired by the Minister of Finance and Personnel has been established and given responsibility for the development, dissemination and co-ordination of public procurement policy and practice for the Northern Ireland public sector. Membership of the Board comprises the Permanent Secretaries of the 11 Departments, the second Permanent Secretary in OFMDFM, the Treasury Officer of Accounts, 2 external experts without a specific sectoral interest, the Director of the Central Procurement Directorate and a representative of the Comptroller and Auditor General as an observer

## **Central Procurement Directorate**

7. A new Central Procurement Directorate has been established within the Department of Finance and Personnel. The Directorate has been initially formed from the Construction Service and the Government Purchasing Agency. The intention is to establish a core professional procurement body which will develop policy and support the Procurement Board's role in all aspects of public procurement policy. The Directorate will where appropriate directly procure strategic requirements, provide expertise, advice and a co-ordinating role which will include management of the Gateway Review system.

## **Centres Of Expertise**

8. In addition to the Directorate there are a number of centres with specialist procurement expertise across the public sector. The Executive is of the view that considerable added value can be derived from these existing Centres of Expertise, both in developing operable policies and providing a more integrated procurement service to public bodies in general. The Executive has therefore decided that:-
  - the Procurement Board should establish a Procurement Practitioners Group where representatives from the Directorate and the Centres of Expertise would meet regularly to inform, test and develop policy and where appropriate, operational issues;
  - Departments, their Agencies, NDPBs and public corporations should carry out their procurement activities by means of documented Service Level Agreements with the Directorate or a relevant Centre of Expertise;
  - the Directorate and other public sector procurers should continue to access Office of Government Commerce frameworks and contracts, amended where appropriate to reflect local requirements;
  - the competency of Centres of Expertise should be reviewed by the Procurement Board on a periodic basis.