

PROCUREMENT POLICY

Policy objective

All public procurement of goods and services, including works is to be based on value for money, having due regard to propriety and regularity.

Value for money

Value for money is the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement.

Legal framework

The OISC is responsible for ensuring it complies appropriately with legal obligations.

The legal framework for public procurement includes:

- EC and other international obligations, as implemented in UK legislation or by virtue of direct effect;
- Specific domestic legislation, for example, on corrupt gifts or unfair contract terms;
- Contract and commercial law in general; and
- Domestic case law

The user's requirement

The purpose of procurement is to meet the user's requirement. The requirement including any specific level of quality or standard of service must, however be tested critically for need, cost-effectiveness and affordability under whatever arrangements are in place for financial approval and separation of functions.

Competition

Goods and services should be acquired by competition unless there are compelling reasons to the contrary. Competition promotes economy, efficiency and effectiveness in public expenditure. Competition will also contribute to the competitiveness of suppliers, contractors and service-providers.

The procurement process

In all dealings with suppliers and potential suppliers OISC staff should do their best to preserve the highest standards of honesty, integrity, impartiality and objectivity.

In particular, OISC staff should do their best:

- To be fair, efficient, firm and courteous;
- To achieve the highest professional standards in the award of contracts;

- To make available as much information as suppliers need to respond to any bidding process;
- To notify the outcome of bids promptly and, within the bounds of commercial confidentiality, to debrief winners and losers on request on the outcome of the bidding process to facilitate better performance on future occasions.
- Achieve the highest professional standards in the management of contracts; and
- Respond promptly, courteously and efficiently to suggestions, enquiries and complaints.

Selection of bidders. In contract award procedures that involve the selection of suppliers to be invited to tender or negotiate, the selection should be made on the basis of objective criteria.

Award criteria. In determining the criteria for the award of contracts, purchasers should rarely rely on price alone. In most cases value for money, will involve other factors such as whole-life cost, quality and delivery against price.

Evaluation of bids. Appropriate investment appraisal techniques should be used in assessing which compliant bid offers best value for money:

- On the cost side, the relevant factor is whole –life cost, not lowest short-term price. Whole –life cost takes into account all aspects of cost over time, including for example capital, maintenance, management, operating and disposal costs, whenever they fall.
- On quality, higher expenditure on better quality might well be offset on a whole-life costing basis, for example by lower maintenance costs, longer life or higher residual value and therefore justified on cost grounds alone. However a better quality solution to the requirement, for example in terms of service standards, might add to whole-life cost. In all cases it is for the purchaser to consider carefully whether increased benefits justify higher cost, providing better value for money in meeting the requirement.

Prompt payment. Where there is no contractual provision or other understanding, the OISC should pay suppliers within 30 days of receipt of the goods or services, or the presentation of a valid invoice or similar demand for payment, whichever is the later.

Contracts

The OISC purchase order forms should be used wherever possible.

Purchasing agencies

The OISC is not tied to any central purchasing agencies e.g. GCAT/SCAT/OGC. In seeking value for money they may, however, choose to enter into contracts under framework agreements put into place by a central purchasing agency for use by NDPB's. The central purchasing agency will advise whether the framework agreement has been awarded in accordance with the EC rules on behalf of potential users.

AUTHORISATION OF EXPENDITURE

GUIDANCE AND PROCESS NOTES

General Principles

1. No member of staff has authority to commit the OISC to expenditure unless specifically authorised to do so. Staff should be aware that financial commitments may arise from any promise or commitment to take action and no such commitment should be given at any time without appropriate financial authority.
2. The purchase of goods and services must be undertaken in such a way as to demonstrate that:
 - (a) The choice of supplier was fair;
 - (b) The terms of supply took full account of the requirement to achieve effectiveness, efficiency and economy
 - (c) Each proposed purchase was matched to uncommitted budget provision
 - (d) Payments for supplies were made accurately.
3. Making a purchase of goods or services will normally involve up to five separate stages:
 - (a) Requisition of the item to be purchased;
 - (b) Granting appropriate budget authority;
 - (c) Raising a purchase order to the appropriate supplier for not more than the authorised sum;
 - (d) Confirming the satisfactory receipt of goods or completion of services by certifying invoices;
 - (e) Making and accounting for the payment against the certified invoice.
4. The budgetary authorisation of expenditure is a critical control in managing OISC expenditure. It is essential that, before giving authority, the budget holder confirms that sufficient uncommitted budget provision is available to fund the estimated expenditure and the expenditure is a proper charge to the budget.
5. Purchase orders must be issued in accordance with the guidance provided.
6. To ensure the OISC obtains the right quality of supply or service at the best practically obtainable price appropriate to the level of expenditure involved, the following procedures to identify the best supplier should be followed:
 - (a) Up to £500 the delegated budget holder is satisfied that value for money has been obtained.
 - (b) Above £500 and up to £5,000, a minimum of three suppliers should be considered for both quality and price. Quotations

may be obtained by telephone, fax, and e-mail or from catalogues. A brief note setting out the result of the consideration should be attached to the file copy of the order.

- (c) Above £5,000 and up to £10,000 a minimum of three written quotations should be sought. A note confirming the outcome should be attached to the file copy of the order or the original copy of the written contract;
- (d) Above £10,000 formal tenders should be used. At least three suppliers should be invited to tender;
- (e) Above £100,000 European Union regulations may apply.

The values set above are inclusive of VAT. In some cases there may be too few suppliers operating in the market to meet these competition requirements. In such cases the Commissioner or Finance Manager should be consulted as any purchase of £5,000 or more placed on a single tender requires written Sponsor Unit approval.

- 7. Where a contract is to be entered for the purchase of goods or services over a period or where the volume to be purchased cannot be accurately assessed, then a total value for each budget year should be agreed and the procedure followed should be in line with this. No payments should be made in excess of this amount without the approval of the Finance Manager.
- 8. Care must be taken to ensure that the limits noted above are not avoided by means of a series of small orders each under the cut off levels noted.
- 9. Although subject to the principles note above, additional specific procedures exist for ordering frequently recurring services. These services include:
 - (a) In-house catering
 - (b) Travel
 - (c) Stationery
 - (d) Legal services
- 10. The use of consultants requires the express written authority of the Commissioner/Deputy Commissioner. The team manager should discuss the proposed use of consultants with the Commissioner/Deputy Commissioner prior to any preliminary work being undertaken. Further guidance on the Use of Consultants, produced by the Home Office, is available in a separate document from the Finance Manager.
- 11. **Capital Expenditure** - Each capital project should be supported with details showing:
 - (a) The business case for the project
 - (b) The alternatives to the project
 - (c) Full details of the project itself, including what is involved, when it is required, costs and payments schedules
 - (d) The life expectancy of the project

- (e) Any revenue expenditure associated with the project, either in associated installation costs or in on-going maintenance costs.

Any capital expenditure project over £50,000 requires separate Sponsor Unit approval.