

FINANCIAL BULLETIN NO. 7

PROCUREMENT GUIDANCE NOTE 04/12 PROCUREMENT CONTROL LIMITS AND BASIS FOR CONTRACT AWARDS

1. General

1.1. The Department for Employment and Learning (DEL) bodies who must comply with Northern Ireland Public Procurement Policy (NIPPP) are listed below:

- Construction Industry Training Board-Construction Skills NI (CITB);
- Belfast Metropolitan College;
- Northern Regional College;
- North West Regional College;
- Southern Regional College;
- South East Regional College;
- South West College;
- Labour Relations Agency;
- Stranmillis University College; and
- Ulster Supported Employment Ltd.

1.2. Centre of Procurement Expertise (CoPE) where stated throughout the Procurement Guidance Note (PGN) means DFP's Central Procurement Directorate (CPD).

2. Key Issues

- 2.1. Procurement Control Limits (PCLs) are designed to ensure that an effective competition takes place with contractors;¹ a balance is struck between the value of the contract and the transactional cost of undertaking the procurement procedures; and a proportionate approach is taken to procurement for low value requirements.
- 2.2. This Finance Bulletin sets out the practical application of [PGN 04/12](#) in the DEL context. The major revision to the PGN is the inclusion of an authorised DEL Procurement Unit for goods and services below £30,000 (excluding VAT). This Unit (Commercial Manager Gill Brown) will lead these procurements from defining specification through to contract award; be the key contact with CPD including liaison on Direct Award Contracts, also known as Single Tender Actions and review procurement aspects of business cases.
- 2.3. The purpose of the PGN is to provide guidance for departments, agencies, non-departmental public bodies and public corporations which are subject to NIPPP on awarding contracts. The note also gives guidance on what determines the value of a contract; goods and services up to the value of £5k; £5k to £30k; £30k to EU Thresholds and above EU Thresholds.
- 2.4. PGN 04/12 does not apply to Queen's University, the University of Ulster and St. Mary's University College because they are not covered by NIPPP - the Executive's legislative responsibility for public procurement extends only to procurement carried out by departments, agencies, NDPBs and public corporations. However, it should be noted that these bodies, like all public sector bodies, are still required to ensure expenditure is

¹ refers to contractors, suppliers and service providers

appropriately procured in accordance with the Public Contracts Regulations (2006).

- 2.5. Single Tender Actions (STAs) occur in exceptional circumstances when a contract is awarded to a contractor without a competition. Instructions are detailed in [PGN 03/11](#) and the Department's [Financial Bulletin No 4](#). From 1 April 2013 all new STAs awarded over £30k must be published on a monthly basis on the Central Procurement Department website.

3. Determining the value of a contract

- 3.1. In determining the value of a contract (for the purpose of assessing the thresholds) the value of **all** options and renewals, for the whole life cost, i.e. the total estimated spend over the contract's duration, must be taken into account. Departments must never split a purchase or disaggregate project costs in order to circumvent the control limits.
- 3.2. All threshold bands are net of VAT irrespective of whether VAT can be reclaimed or not.

4. Procurement Control Limits

4.1. For Goods and Non- Construction Services.

VALUE	PROCEDURE
Up to £5k	Classified as procurement expenditure, but not subject to the full range of procurement rules. Departments must demonstrate that expenditure is subject to Managing Public Money Northern Ireland and value for money has been secured. ² To ensure this has been achieved “a price check” ³ with at least two suppliers should be carried out. These should be retained on file and documented for audit purposes. Ensure procurement is not covered by an existing framework, call-off arrangement, standing lists or e-catalogue.
£5k to £30k	A minimum of two tenders invited by the person authorised to procure for their organisation. Departments should ensure they do not repeatedly favour particular suppliers. If the same supplier is to be invited then at least two others should also be invited.
£30k to EU Thresholds	Advertise on eSourcingNI ⁴ in line with PGN 05/12.
Above EU Thresholds	Advertise on eSourcingNI. EU Directives apply –advertise in OJEU (Official journal European Union)

4.2. For contracts for the supply of standard goods, non-construction services or below EU threshold construction services and works the preferred basis of award should be the lowest price or **lowest acceptable price**.⁵ In this context, standard means when the goods, services or works can be clearly

² NICS Procurement Board defined value for money as: “the most advantageous combination of cost, quality and sustainability to meet customer requirements”. Cost is the whole life cost; quality is a specification which is fit for purpose and sustainability means economic, social and environmental benefits, considered in the business case, in support of the Programme for Government.

³ These could include internet price checks.

⁴ Term eSourcingNI has been used to describe the current web-based portal used by the NI public sector to advertise and tender available contracts.

⁵ Lowest acceptable price has been used to refer to the lowest price after unacceptably low prices have been excluded and suppliers whose tenders are considered to be significantly low should be given the opportunity to justify their prices.

and simply specified, and are capable of being routinely delivered by a number of suppliers/contractors.

4.3. For Construction Works and Services.

VALUE	PROCEDURE
Up to £5k	<p>Classified as procurement expenditure, but not subject to the full range of procurement rules.</p> <p>Departments must demonstrate that expenditure is subject to Managing Public Money Northern Ireland and value for money has been secured. To ensure this has been achieved “a price check” with at least two suppliers should be carried out. These should be retained on file and documented for audit purposes.</p> <p>Ensure procurement is not covered by an existing framework, call-off arrangement, standing lists or e-catalogue.</p>
£5k to £30k	<p>Consultants must be registered on Constructionline.⁶</p> <p>First six consultants from a randomly selected list generated by Constructionline are invited to tender.</p> <p>Advertise on eSourcingNI.</p> <p>Approval requirements for consultancy are found at 3.5 in Finance Bulletin No. 4.</p>
£30k to EU Thresholds	<p>Advertise on eSourcingNI in line with PGN 05/12.</p>
Above EU Thresholds	<p>Advertise on eSourcingNI.</p> <p>EU Directives apply –advertise in OJEU (Official journal European Union)</p>

4.4. All construction works and services will still have to be procured centrally through CPD.

4.5. For contracts for construction services and works **below** the EU threshold will have a preferred basis of award being either, the lowest acceptable

⁶ This is the UK’s register of construction related contractors and consultants pre-qualified to work for public sector clients.

price, or a Best combination of Price and Quality (BPQ). Contracts **over** the EU threshold must be awarded on the basis of either the Most Economically Advantageous Tender (MEAT) or lowest price.

4.6. For Consultancy Procurement

4.7. All consultancies over £10k must be procured centrally through CPD.

4.8. The DEL Minister must approve all departmental external consultancies irrespective of value and NDPB consultancies over £10k, irrespective of whether they are procured via Single Tender Action, or not (See [Financial Bulletin No. 4](#)).

VALUE	PROCEDURE
£0 to £10k	Classified as procurement expenditure, but not subject to the full range of procurement control limits. A minimum of two tenders invited by the person authorised to procure for their organisation. Departments should ensure they do not repeatedly favour others should also be invited particular suppliers. If the same supplier is to be invited then at least two others should also be invited
£10k to £30k	A minimum of two tenders invited by the person authorised to procure for their organisation. Departments should ensure they do not repeatedly favour particular suppliers. If the same supplier is to be invited then at least two others should also be invited. Procurement through CPD.
£30k to EU Thresholds	Advertise on eSourcingNI in line with PGN 05/12 .
Above EU Thresholds	Advertise on eSourcingNI. EU Directives apply –advertise in OJEU (Official journal European Union)

5. Further details

- 5.1 The full Procurement Guidance Note [PGN 04/12](#) can be found on the CPD website.
- 5.2 For further advice on procurement, please contact Gill Brown of Corporate Governance & Business Planning Branch on extension 57618 (9025 7618).