



# BORD NA MÓNA



## *Procurement Policy*



Aug 2014

## **Section 1 : Policy Introduction**

### **1.1 Foreword**

Bord na Mona is a complex organisation in terms of procurement, with a wide range of goods and services required to enable our businesses to provide valuable solutions to customers.

Procurement works with our businesses to source excellent suppliers of goods, services or works in a manner that is compliant with all relevant regulations and guidelines.

The Bord na Mona procurement policy has been approved by the Group Head of Finance and applies to all staff. If you need further assistance or advice, please contact a member of the Group Procurement team.

### **1.1 Role of Group Procurement**

Group procurement will implement world-class supply chain initiatives to add value to our businesses. Specific activity areas include:

- *Supply chain risk analysis / mitigation*
- *Supply chain collaboration*
- *Supplier performance improvement programmes*
- *Value for money focus based on total cost of ownership principles*
- *Internal customer service*
- *Specific targeted negotiation techniques*
- *Cross functional evaluation teams*
- *Optimised group aggregation & cooperation*

Group procurement will ensure that this policy is circulated and understood throughout the Bord na Mona group so that our competitive processes are designed and implemented to be fully compliant with relevant regulatory, shareholder and board requirements.

Group procurement will report annually to the Board regarding compliance. The procurement team must be aware of all supplier interactions, and will determine the level of direct procurement involvement in such interactions on a case by case basis.

### **1.2 Policy Review**

This policy revision is applicable from August 1<sup>st</sup> 2014 and will be reviewed on an annual basis by the Group Procurement Manager.

## **Section 2 : Core Procurement Values**

### **2.1 Professionalism**

Interactions with suppliers and potential suppliers will be governed by the highest standards of integrity, objectivity, fairness, efficiency, courtesy and professionalism.

### **2.2 Key Principles of Competition**

Supplies, works and services will be acquired where possible by open competition. Essential principles to be observed in conducting the procurement process include non-discrimination, equal treatment, transparency, mutual recognition, proportionality, freedom to provide service and freedom of establishment.

### **2.3 Regulatory Compliance**

Bord na Mona is subject to the EU Procurement Directive (2004/17/EC) and Remedies Directive (2007/66/EC). Procurement activities will be compliant with legislation, and group procurement staff will be fully aware of relevant requirements.

### **2.4 Public Procurement Guidelines**

Bord na Mona will adhere to the Government Public procurement guidelines for commercial state bodies.

### **2.5 Leading Practice**

A leading-practice approach to procurement activity will apply. Procurement processes will be continuously improved, measured and benchmarked, particularly in the light of technological and commercial developments.

## **Section 3 : Procurement Structure**

### **3.1 Group Procurement Department**

Group procurement consists of a centralised procurement team, all reporting to the Group Procurement Manager, who in turn reports to the Group Head of Finance.

### 3.2 Categorisation

Each team member is responsible for a logical category of procurement activity. Current categories and contact details are maintained on the company intranet. Any procurement query can be routed to any member of the team, who will either deal with it or redirect it as appropriate.

### 3.3 Compliance with Policy

Thresholds are set out in section 4.3 reflecting the increased formality of competition, as spend commitments increase. Business spends will be reviewed quarterly by group procurement to ensure contract and policy compliance. Findings of non compliance will be notified to the Group Head of Finance, with significant issues notified to the risk and audit committee of the Board. Policy compliance will also be subject to internal / external audit.

### 3.4 Contract Ordering

Designated staff throughout the group will have authority to generate purchase orders from agreed contracts. It is the responsibility of the staff member placing the order to establish if a relevant contractual arrangement is in place. Details of current contracts will be maintained on the intranet.

### 3.5 Use of Frameworks

A framework arrangement may be utilised where a panel of suitably qualified suppliers is required. Frameworks eliminate the need for public advertising and supplier prequalification competition stages. Competitions within frameworks will be subject to the rules set out in section 4.3.

## Section 4 : Operational Policies

### 4.1 Policy Scope

The scope of Bord na Mona's procurement policy covers all non-wage expenditure in the company and its subsidiary companies. It is the duty of every employee involved in any interaction with suppliers to familiarise themselves with the policy.

### 4.2 Regulations and Guidelines

#### 4.2.1 European Procurement Directive

Bord na Mona is listed as a relevant contracting entity in European Council Directive 2004/17/EC of March 31<sup>st</sup> 2004, more commonly referred to as the Utilities Procurement Directive.

The specific business activities subject to the provisions of 2004/17/EC are those of Powergen and Feedstock. Where a competition refers to the entire Bord na Mona Group, it is also considered as subject to the directive.

All OJEU notices will be posted electronically by Group Procurement.

Bord na Mona will normally utilise the negotiated tendering process for contracts subject to the Directive.

The following are the EU thresholds regarding use of the European Journal effective January 1<sup>st</sup> 2014. These spends relate to the forecasted value of the commitment irrespective of the contract term. Like areas of spend should be aggregated in assessing the applicability of the directive, and commitments must not be disaggregated to avoid OJEU publication.

#### Contract Notice

*Works : €5,186,000*

*Supplies/Services : €414,000*

#### Periodic Indicative Notice

*Works : €5,186,000*

*Supplies/Services: €750,000*

#### 4.2.2 Code of Practice for the Governance of State Bodies

Bord na Mona is also subject to procurement guidelines issued by the Government. The following is the relevant extract from the most recent *Code of Practice for the Governance of State Bodies* issued in May 2009:

*It is the responsibility of the Board to satisfy itself that the requirements for public procurement are adhered to and to be fully conversant with the current value thresholds for*

*the application of EU and national procurement rules.*

*Competitive tendering should be standard procedure in the procurement process of State bodies. Management, and ultimately the Board, should ensure that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with procurement policy and guidelines. Where there is a significant procurement function, it would be appropriate to have a sub-committee of the Board (or to include it in the charter of the Audit Committee) to devise and monitor procedures suited to the body's purchasing profile.*

#### **4.2.3 Board Reporting**

The following is extracted from Board agenda item 12291:

##### **Procedure for Dealing with Purchases**

*The Board agreed to a proposal that in future a list of expected purchases be submitted at the beginning of each year, and that individual major purchases can thereafter be proceeded with by the management, subject to monitoring by the Audit Committee.*

In practice, the annual budgeting process caters for the majority of expected purchases.

#### **4.3 Spend Thresholds**

When determining which of the following procedures to use, a contract requirement may not be artificially split in order to change the procedure to be applied. When a procurement requirement is identified, it is the responsibility of the owner to utilise any existing contractual arrangement in the first instance. Where no formal purchasing agreements are in place, the procedures outlined below must be used.

##### **4.3.1 Low Value Purchases (Less than €1,500)**

A single commercial quotation in either verbal or written form may be used

A purchase order must be raised

If the same requirement has been quoted for in the past year, then new quotations are not necessary

Keep a record of quotations

##### **4.3.2 Intermediate Value Purchases (€1,500 to €5,000)**

Expenditure approval of budget holder required

Three quotations should be sought in either verbal or written form

A purchase order must be raised

If the same requirement has been quoted for in the past year, then new quotations are not necessary

Keep a record of quotations

##### **4.3.3 Intermediate Value Purchases (€5,000 to €50,000)**

*Consult Group Procurement before quotations invited*

*Expenditure approval of budget holder required*

*A minimum of three quotations should be sought in written form*

*A purchase order must be raised*

*Notify / Debrief unsuccessful suppliers on request*

##### **4.3.4 High Value Purchases (€50,000 to €14,000)**

*Expenditure approval of budget holder required*

*A minimum of three quotations should be sought in written form*

*A contract or purchase order must be put in place*

*Group Procurement will remain directly involved in process*



*A written specification will be required*

*Ideally a minimum of two weeks response time will be given to suppliers*

*Contract advertising on [www.etenders.gov.ie](http://www.etenders.gov.ie) or tender process by invitation*

*A weighted scoring matrix will be used for tender evaluation, using award criteria previously notified to suppliers*

*Notify / Debrief unsuccessful suppliers on request*

4.3.5 Above EU Thresholds ( €5,187,000 Works & €414,000 goods or services )

*Approval of budget holder required*

*A written specification will be required*

*Group Procurement to determine OJEU applicability*

*OJEU relevant competitions advertising by Group Procurement on European Journal*

*Non OJEU competitive process to be agreed with spend owner. Ideally a minimum of two weeks response time will be given to suppliers*

*A contract or purchase order must be put in place*

*Group Procurement will remain directly involved in process*

*A weighted scoring matrix will be used for tender evaluation, using award criteria previously notified to suppliers*

*Notify / Debrief unsuccessful suppliers*

#### **4.4 Contracts**

Standard industry forms of contract will be used in so far as possible for Works contracts.

Standardised Bord na Mona forms of contract will be utilised for goods and services contracts for commitments in excess of €50,000. Any variations from the Bord na Mona standard form of contract will be reviewed by the Group Legal Department prior to signing.

For commitments under €50,000, an alternative award letter may be used. Such contracts or

award letters shall contain at least the following elements:

- *Key performance requirements from the supplier (Quality, Lead Times etc.)*
- *Implications of under performance*
- *Term of the agreement*
- *Pricing details, payment terms, price review mechanism if applicable*
- *Review meeting frequency*
- *References to relevant specifications*
- *Termination rights for either party*
- *Warranty details*
- *Insurances and cover levels required by supplier*

Group Procurement will maintain a list of all current contracts on the company intranet. Group Procurement will notify staff of contract awards and all relevant details.

#### **4.5 Purchase Orders**

Bord na Mona will use electronic purchase orders to suppliers, generated by an authorised staff member.

Correct pricing must be used on purchase order.

For Capital Expenditure items, the appropriately signed capital approval form must be submitted to Group Procurement prior to commencement of a competition. It is the responsibility of the business or spend owner to seek this approval.

#### **4.6 Pre-qualification & Award Criteria**

Contracts subject to the provisions of the utility procurement legislation must be awarded either on the basis of *Most Economically Advantageous Tender (MEAT)* or *Lowest Price*. Bord na Mona uses MEAT for all such contracts.

For contracts not subject to the provisions of the legislation, MEAT will also be used as the standard means of tender evaluation.

Where a competition relates to a spend in excess of €50,000, award criteria and their weightings particular to that competition will be decided in

advance, and will be notified to all competitors before tenders are invited, either through the electronic competition notice or in the particular tender documentation.

Bord na Mona will normally utilise a minimum two stage competitive process, which will include:

- a prequalification stage, thereby ensuring that tender invitations are only issued to parties qualified and capable of fulfilling requirements.
- a tendering stage to score the relative strengths of the prequalified parties.

Tender evaluation will be carried out jointly by procurement staff and the functional users of the goods or services. A formal aggregated scoring matrix will apply to all competitions within bands 4.3.4 and 4.3.5.

#### ***4.7 Electronic Procurement***

Bord na Mona will utilise fully electronic procurement processes for all its competition activity.

#### ***4.8 Specifications***

Works, supplies or service specifications will generally be developed by the internal user department or functional experts requesting the supply of same. Procurement staff will ensure that user requirements are clearly established and defined, and that technical specifications are unbiased, comprehensive and needs focused.

#### ***4.9 Gifts & Hospitality***

It is important that all Bord na Mona staff interacting with suppliers maintain a professional constructive impartial relationship with suppliers. In this context, gifts from suppliers will not be accepted.

Unsolicited gifts will either be returned to the supplier, with an explanation that receipt is contrary to policy or, if of very small intrinsic value (e.g. diary, calendar, bottle of wine/spirits etc.), may be donated to social club draw,

charity etc., and this action notified to the supplier.

Modest hospitality may be accepted, provided:

- The frequency and scale of hospitality is no more than Bord na Mona might be expected to give in return
- The number of company staff availing of the hospitality is kept to a minimum
- Invitations do not include the provision of travel or overnight accommodation and availing of the hospitality does not identify the company in a public way with any supplier or contractor.
- There is a potential business benefit to Bord na Mona

When it is not easy to decide if these criteria are met, the offer should be declined or advice sought from the employee's superior. Offers of hospitality must be notified at once to the recipient's superior.

All staff involved in any interactions with suppliers will be subject to Bord na Mona's Code of Business Conduct.

#### ***4.10 Records***

Records will be maintained without disposal for all Group Procurement competitions.

#### ***4.11 Debriefing***

A debriefing facility will be made available to all unsuccessful suppliers, on request. Such meetings will be attended by Group Procurement and internal customer representative staff. Where the standstill provisions of 2004/17/EC apply, the evaluation team will provide sufficient commentary to address the relative strengths and characteristics requirements of the standstill notices.

#### ***4.12 Sustainability***

Bord na Mona will comply with all relevant legislation and licensing with regard to waste, environmental and energy performance issues.

Bord na Mona shall include criteria for assessing energy use, consumption, and efficiency over the planned or expected operating lifetime when procuring energy using products, equipment and services which are expected to have a significant impact on the organisation's energy performance.

Bord na Mona will consider recycling criteria when it purchases goods that will need to be recycled following primary use.

#### **4.13 Negotiations with Suppliers**

Bord na Mona will normally utilise negotiated tendering procedures for all competitions. The following specific procedures will apply to negotiations relevant to spends greater than €50,000:

- *Normally at least two Bord na Mona personnel present.*
- *Group Procurement will participate in all such negotiations*
- *Set targets for the negotiation*
- *Agree tactics and roles in advance of the negotiation*
- *Negotiate on the basis of the criteria previously outlined to the supplier*
- *Ensure a clear basis exists for elimination of any suppliers not invited to participate in a negotiation stage, based on the criteria previously notified to them*
- *Prepare a minuted account of the meeting, setting out date, attendance, points agreed etc.*
- *Treat all suppliers invited to negotiate fairly and equally*

#### **4.14 Credit Terms**

Bord na Mona will comply with the requirements of the Prompt Payment of Accounts Act 1997 where alternative commercial payment terms have not been agreed.

#### **4.15 Tax Clearance Procedures**

The *Code of Practice for the Governance of State Bodies* requires all State bodies to ensure

that the Tax Clearance requirements set out in the Department of Finance Circular 22/95 are fully complied with.

The provisions of this guideline apply where Bord na Mona is buying, hiring or leasing goods, services or property, where the cumulative annual spend is in excess of €10,000 inclusive of VAT or more within any 12 month period.

Staff who make a commitment in excess of this threshold will be responsible for ensuring that appropriate tax clearance is in place prior to such commitment.

#### **4.16 Insurance**

Insurance requirements will be particular to each contract and will be notified to competitors at ITT stage. The specified insurances will need to be in place prior to contract award.

#### **4.17 Conflict of Interest**

Any Bord na Mona employee involved in interaction with suppliers must refrain from using either their personal position or the organisation's resources for gain.

All forms of personal interest in supplier and purchasing organisations other than in publicly quoted companies, including any shareholdings and / or personal relationships which could give rise to conflict of interest, must be disclosed to management in writing.

The Companies Acts and the Ethics in Public Office Act 1995 specify legal requirements for Directors and other specific jobs regarding potential conflicts of interest. In addition, the *Code of Practice for the Governance of State Bodies* contains further relevant guidelines.

#### **5.6 Contact Details**

A full listing of Group Procurement staff, contact details, categories and contract areas is available on the intranet.