



Department for  
**Employment  
and Learning**  
[www.delni.gov.uk](http://www.delni.gov.uk)

**Appendices to the  
Management Statement and  
Financial Memorandum between the Department for Employment and  
Learning and the Further Education Colleges  
(Executive NDPBs)**

1 August 2015



## APPENDICES

The attached Appendices contain the latest Departmental guidance. Appendices D – I have been issued by the Department as Finance Bulletins.

They cover Departmental staff guidance as well as NDPB guidance and should be read appropriately for circumstances in the colleges and in the context of the MS/FM.

These Appendices will be updated as Departmental guidance changes.

[Appendix A](#) Delegated Expenditure Limits

[Appendix B](#) End of Year Flexibility Scheme

[Appendix C](#) Losses and Special Payments

[Appendix D](#) Financial Bulletin No. 4:- Procurement Guidance Note 03/11 Award of Contracts without A Competition

[Appendix E](#) Financial Bulletin No. 7:- Procurement Guidance Note 04/12 Procurement Control Limits and Basis for Contract Awards

[Appendix F](#) Financial Bulletin No. 8:- Whistle blowing Guidance for Stakeholders External to the Department

[Appendix G](#) Financial Bulletin No. 9:- Procedures for Economic Appraisal and Post Project Evaluation

[Appendix H](#) Financial Bulletin No. 11:- Consultancy Procedures

[Appendix I](#) Financial Bulletin No. 12:- Integrating Social Considerations into Contract

## APPENDIX A: DELEGATED EXPENDITURE LIMITS

### General

1. **PURCHASING ALL GOODS, SERVICES AND WORKS** – see [Appendix E](#) and [Appendix G](#)
2. **CAPITAL PROJECTS** – see [Appendix E](#) and [Appendix G](#)
3. **DISPOSAL OF SURPLUS EQUIPMENT** – see FM section VI MANAGEMENT AND DISPOSAL OF ASSETS: Disposal of Assets
4. **LEASE AND RENTAL AGREEMENTS** – see FM section V. NON STAFF EXPENDITURE: Leasing
5. **APPROVAL OF INFORMATION TECHNOLOGY PROJECTS**

The appraisal of Information Technology (IT) projects should include the staffing and other resource implications.

The principles of appraisal, evaluation and management apply equally to proposals supported by information communication technology (ICT) as to all other areas of public expenditure. ICT-enabled projects should be appraised and evaluated according to the general guidance in the Northern Ireland Guide to Expenditure Appraisal and Evaluation ([NIGEAE](#)) and managed using the new [Successful Delivery \(NI\) guidance](#) which was issued in June 2009.

The purchase of IT equipment and systems should be in line with DAO (DFP) 06/15; consideration must be given to the use of Shared Services when procuring IT related equipment and services. And also in line with the guidance on Procedures and Principles for Application of Best Practice in Programme/Project Management (PPM), (available at [www.dfpni.gov.uk/successful-delivery](http://www.dfpni.gov.uk/successful-delivery)) and be subject to competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the Procurement Control Limits in [Appendix E](#).

6. **ENGAGEMENT OF CONSULTANTS** – see [Appendix E](#) Procurement Guidance and [Appendix H](#) Consultancy Procedures

7. LOSSES AND SPECIAL PAYMENTS – see [Appendix C](#)

## APPENDIX B: END YEAR FLEXIBILITY SCHEME

### Further Education Colleges and Stranmillis University College – End Year Flexibility (EYF) Scheme

#### Scope

The FE College and Stranmillis EYF Scheme will apply to Resource Budgets only. Capital Budgets are unaffected.

#### Stock

For a scheme to commence in the 2013-14 year, there will be no carry forward of underspends from 2012-13 and the scheme will therefore commence in 2013-14 with a stock of zero. **The continued College stock will be subject to an upper limit of £20m.**

#### Operation

At a departmental level, DEL will, in the first monitoring round of the financial year, declare how much of its accumulated stock of EYF that it wants to draw down for spend within that year. This sum will be determined by an assessment undertaken by DEL of how much individual Colleges require in that year. This amount will represent a pressure to be addressed in the June monitoring round, and will be deducted from colleges' formal EYF stock. Then, at January monitoring round, DEL will be asked to revise the June drawdown amount, taking into account the planned spend at college level for their financial year (based on a position determined at individual college). This amount will represent a Bid/Reduced Requirement in the January monitoring round and will be deducted/added to the aggregate college EYF stock. **The College cumulative 'bid' will be subject to a maximum of £8m in any one financial year.**

There will be no further adjustment to the FE colleges EYF stock in-year and it will therefore represent the opening balance for the next year.

The funding implications of any subsequent variations (i.e. after January Monitoring position) between planned and actual spend in that year will be managed by DEL, as will any changes in deficits.

Set out below is a worked example:-

- Year X - in June monitoring, DEL declares that it wants to draw down £3m of its £15m EYF stock then it advises DFP. The DFP Minister reflects the changes in his Executive Paper on June Monitoring.
- Year X - in January monitoring, DEL indicates that it will require £4m so the department receive a further £1m and the EYF stock is adjusted to £11m. This stock becomes the opening stock for Year X+1.
- Year X - Provisional Outturn shows FE Colleges utilised £6m, therefore DEL are required to manage the £2m pressure within their budget.
- Year X - however, if Provisional Outturn shows actual spend at £2m the stock of EYF remains at £11m.
- Year X - The surplus position of the individual colleges would however be adjusted accordingly by DEL.

### **Monitoring Arrangements**

The Department will be required to manage this position at individual College level and DFP will also require the Department to provide database details that allows monitoring of such spend (aggregated if appropriate). DFP Supply will require transparency on individual College level EYF stock.

## APPENDIX C: LOSSES AND SPECIAL PAYMENTS

### SECTION 1: DELEGATED AUTHORITY IN RESPECT OF LOSSES AND SPECIAL PAYMENTS

#### SUMMARY:

The Accounting Officer of the College will have the authority to write off losses and make special payments up to:

- a) Cash Losses – up to £5,000 per case/ incident (or £1,000 where fraud is suspected)
- b) Stores/ Equipment Losses - up to £5,000 per case/ incident (or £1,000 where fraud is suspected)
- c) Constructive losses and fruitless payments - up to £5,000 per case/ incident (or £1,000 where fraud is suspected)
- d) Compensation Payments:
  - i) Made under legal obligation, e.g. by Court Order – up to £1,000 per case plus reasonable legal expenses
  - ii) For damage to personal property of staff – up to £1,000 per case
  - iii) Where written legal advice is that the College should not fight a court action because it is unlikely that it would win – up to £1,000 per case
- e) Claims abandoned or waiver of claim – up to £1,000 per case
- f) Extra contractual payments – up to £1,000 per case
- g) Ex gratia payments – up to £1,000 per case (Pensions payments are not covered by this threshold)

h) Extra statutory and extra regulatory payments – up to £1,000 per case

The prior approval of the Department must be obtained for amounts above these values.

Where total losses exceed £1,000 in any financial year, an explanatory note should be included in the College's accounts. Explanations should also be provided for individual losses in excess of £1,000.

Details of all losses and special payments should be recorded in a Losses and Special Payments Register, which will be available to auditors. The Register should be kept up-to-date and should show evidence of the approval by the College's Accounting Officer and the Department, where appropriate.

## MAIN GUIDANCE

### Introduction

1. The purpose of this Appendix is to provide guidance on the treatment of losses and special payments and to introduce delegated arrangements whereby amounts may be written-off without the necessity of obtaining the Department's approval.
2. The Principal (or, in the event of his long-term absence, the person identified by the Governing Body as being the Acting Principal) is the only person with the power to exercise this delegated authority. The Audit Committee and the Governing Body must be informed in writing of all instances where this authority has been exercised or where the approval of the Department is being sought to losses or special payments above the delegated limit.
3. The limits within which this delegated authority will operate are set out in paragraph 6 of this Appendix. The reason for delegating this authority is to make administrative handling of comparatively low value transactions more efficient **but such delegation must not be interpreted as in any way diminishing the importance of write-offs**. This Appendix does not affect the requirement that all losses and special payments should be detailed as a footnote in the college's annual accounts (except where, in a particular case, the Department indicates otherwise).



## Losses

4. The prevention of loss is a prime objective of sound financial control and therefore all systems within the college should be designed and operated so as to prevent, as far as possible, losses of both cash and assets. Internal checks and regular supervision should ensure that any loss, which does occur, is detected as early as possible with remedial action taken as soon as possible thereafter in order to prevent a recurrence. The college asset register should be kept up to date with regular stock checks, especially of any valuable or attractive items.

5. In the event of a loss being discovered, the following action should be taken:

- ending the loss and limiting its effect as much as possible;
- attempting to recover the value of the loss;
- ascertaining the cause and correcting any weakness or fault in the system of control or supervision;
- where theft or misappropriation is known or suspected, reporting the matter immediately to the Police, the Department and the C&AG;
- recording the loss and seeking write-off approval from the Department in any individual case where the net loss, after recoveries from insurance, etc, exceeds the delegated limits quoted in paragraph 6 of this Appendix; and
- it is imperative that an amount to be written off is accurately and meticulously calculated and checked and that it includes all costs properly associated with the loss in question and excludes those not associated.

6. Details of the main types of losses and special payments which are likely to arise, and the limits above which Departmental write-off approval is required **in any single case** are as follows:

## Losses

### ***Cash Losses: Delegated Limit £5,000 (£1,000 if fraud is suspected)***

- Losses by theft, fraud, arson or negligence or due to book-keeping errors;
- physical losses of cash and counter losses;
- losses of equivalents of cash e.g. stamps;
- overpayments of pay and allowances (see Section 2).

### ***Stores and Property Losses : Delegated Limit £5,000 (£1,000 if fraud is suspected)***

- Malicious damage;
- fraud or theft (including items stolen during a burglary);
- unexplained stocktaking discrepancies;
- other causes.

In each case the amount of the loss is calculated as the cost of repair or replacement less any recoveries in respect of insurance etc.

### ***Fruitless Payments and Constructive Losses***

#### ***Delegated Limit £5,000 (£1,000 if fraud is suspected)***

A payment, which is unavoidable in that the recipient is entitled to it although nothing useful is received in return, may be classed as a fruitless payment or a constructive loss. The vital distinction between a fruitless payment and a constructive loss is whether or not the liability was constructively incurred.

**Fruitless payment** is a payment for which, strictly speaking, liability ought not to have been incurred, or could have been cancelled in time to avoid liability.

**Constructive loss** may arise out of a payment for which liability was properly or constructively incurred or maintained- for example, when stores or services are correctly ordered, delivered or provided, and are paid for as being in conformity with the order, but owing to an error of

judgement, change of policy or comparable reason which cannot be attributed to a culpable cause, prove not to be needed or to be less useful than when the order was placed.

***Claims Abandoned or Waived: Delegated Limit £1,000***

**Waiver** of a claim implies a voluntary decision for administrative or other reason, not to present or pursue a claim that could be properly made.

**Abandonment** of a claim arises in any other case where a claim can properly be made, and where payment is not received. This would include:

- a claim made (or which should have been made) for services rendered, or other consideration given;
- a claim arising from an actual or believed contractual or other legal obligation of the contractor or other person (whether or not in fact pursued).

**SPECIAL PAYMENTS**

***Compensation Payments (due under a Court Order): Delegated Limit £1,000***

- While prior Departmental approval is not required to the making of a payment due under a Court Order, such approval must be sought if the amount is above the delegated limit before it can be accepted as a charge against public funds.
- **(N.B.** In the case of an Out-of-Court settlement, the Department's prior approval must be sought **before** a payment is made. In such circumstances, the amount of the settlement should be agreed provisionally with the claimant or his legal representative in terms that make it subject to the Department's approval. Before approving the payment as a charge against public funds, the Department will wish to be satisfied, inter alia, that the college acted in good faith and in accordance with the advice of its legal advisers.)

- The legal costs of the college should be met from its recurrent budget and not regarded as part of the loss itself;
- A full report should be made to the Department in any case where the judgement of the Court carries implications of such importance that an appeal may be appropriate.

***Extra Contractual Payments and other Ex-Gratia Payments: Delegated Limit £1,000***

- These would generally arise in circumstances where there is no legal obligation to make a payment but where there is a strong moral obligation to pay compensation for hardship or damage caused by the college or its servants.
- Ex-gratia payments to staff for the loss of, or damage, to their personal property may be made where:
  - the incident occurs in the course of the performance of official duties;
  - the articles lost or damaged are such as might reasonably be carried in the performance of those duties;
  - the loss or damage arises from the fault or carelessness on the part of the college or its agents and the member of staff is not insured.

The payment should cover either the actual cost of repairing the article or, if lost or damaged beyond repair, the value immediately before the incident, i.e. replacement cost less depreciation.

Colleges should also refer to Managing Public Money Northern Ireland Chapter 4 annexes 4.10 and 4.13 for guidance on losses, write offs and special payments.

## Recovery of Overpayments

7. Section 2 sets out the procedures for dealing with overpayments of pay and allowances.

In the case of overpayments arising out of business transactions with supplier's etc, full recovery should be pursued.

## Departmental Approval

8. Requests for Departmental approval to the write-off of losses or to making and charging of special payments to public funds should be accompanied by a full statement of the facts including, as applicable in each case:

- the cause;
- the date of the incident or the period over which the loss occurred;
- nature of the loss;
- amount of loss or cost of making good the damage;
- how discovered;
- efforts made to effect recovery;
- summary or remedial action taken;
- details of any Police involvement, including date of notification and summary of any actions taken;
- steps taken to avoid a recurrence, including any improvements in the systems of control;
- any disciplinary action taken or contemplated; and
- copies of any relevant documentation, including legal advice.

Where Departmental approval is required in any particular case, this should be sought without delay. If a loss is serious, it should be brought to the attention of the Northern Ireland Assembly / Parliament as soon as possible.

**Audit**

9. All cases in which the write-off of a loss or special payment is being considered must be supported by full documentation within the college and any decisions clearly made and recorded in writing. The manner in which this delegated authority is exercised and the introduction of any necessary remedial action to prevent recurrences will be subject to normal scrutiny by auditors, who may comment thereon as necessary. **It is essential that a register is kept of all losses and special payments and this, together with the supporting documentation, must be made available to auditors on request.**

## SECTION 2: TREATMENT OF OVERPAYMENTS OF SALARIES, WAGES AND ALLOWANCES

### General

1. It is of primary importance in the prevention of overpayments that all staff concerned with the determination, computation and payment of salaries, wages and allowances (including travel and subsistence payments) should be fully conversant with any agreements, regulations, Orders or instructions which impact on remuneration. In all cases it is vital that there is adequate supervision, not only to minimise the risk of mistakes or fraud but also as a backup in case of absence.
2. Overpayments due to clerical errors, misreading of salary scales etc should cease immediately on discovery and the correct rate used in all further payments. In the case of an overpayment due to an error in the contract of service (e.g. the wrong salary rate being offered) the contract should either be varied by agreement with the employee concerned so as to incorporate the correct terms or be terminated at the earliest possible date (with the appropriate notice) and a new contract drawn up containing the correct terms.
3. In the event of the college using an ELB payroll service or that of any other third party, it must ensure that the arrangement is formalised in a Service Level Agreement or contract which, inter alia, sets out the respective responsibilities and liabilities of both organisations in the event of an overpayment occurring.

### Recovery of Overpayments

4. Overpayments involving small amounts due to minor clerical or arithmetical errors should be adjusted in the next payment.
5. In all other cases, the person overpaid should be invited to repay unless this would involve expenditure disproportionate to the amount overpaid (e.g. tracing someone who has left employment).

6. If the person is reluctant, or refuses to pay, the following will have to be established:

- the good faith or otherwise of the recipient in relation to the amount overpaid;
- whether repayment would cause hardship; and
- whether the overpayment is recoverable by process of law.

### **Receipt in Good Faith**

7. The question of good faith involves an element of subjective judgement. The conditions governing pay, pension and allowances are seldom simple and it may therefore be unreasonable to assume that all individuals should know precisely how their pay is calculated or what factors may augment it, that they can themselves immediately discern an overpayment. A refusal to repay based on the argument that the money was received and spent in good faith should therefore be accepted unless there is a strong presumption of lack of good faith.

8. In general, therefore, the following should be applied:

- whether money has been received in good faith the recipient should still be asked to repay but if the money has been spent, no action to enforce repayment need be taken if the person is unwilling to repay voluntarily;
- similarly, if the money has been received in good faith and has not been spent but the employee has, in the belief that he is entitled to the amount in question, entered into commitments which he would not or might not otherwise have entered into, repayment need not be enforced;
- where the money has been received in good faith but has not been spent nor commitments entered into and there is no hardship, the question of recovery should be considered;
- as a general rule, in a case of good faith, if an overpayment extends back over several years and was the result of an error on the part of the employer, which



could have, been avoided, the recipient should be invited to repay only the last 12 months. The overpayment amount in respect of the previous years should be submitted for write-off.

Where, however, the overpayment was of a lump sum nature or the overpayment ceased some time before discovery, the payee should be asked to repay as follows:

<b>Time elapsed since Over-payment made (or ceased)</b>	<b>Amount to be recovered</b>
Up to 1 year	Full recovery*
1-2 Years	Half*
2-3 years	One-Third*
3 or more years	No recovery

**\* of the last 12 months if not a lump sum**

#### **Receipt in Bad Faith**

9. Lack of good faith can be assumed if the person overpaid has suppressed a material fact, disclosure of which directly affected his entitlement. In such cases there may also be an element of fraudulent representation calling for disciplinary action. Again there may also be cases where the error is so obvious that no one could reasonably claim to have received the money in good faith. In other cases, however, it may be much more difficult to establish presumption of lack of good faith and the employer should bear in mind such factors as the extent to which:

- the basis upon which the person's pay etc was determined had either been explained to him or was readily accessible to him in, for example, a circular or handbook in his possession;
- the actual payments made depended upon his circumstances, changes in which he was required to notify to the college e.g. in relation to a student benefit payable by the college or if a member of staff changes his car to one with a smaller cubic capacity which attracts a lower rate of mileage allowance;

- his receipts from the source of income giving rise to the overpayment tended frequently to vary.

## Hardship

10. Repayment may be waived if it would cause hardship. In considering whether recovery would cause hardship, judgement should be based on hardship as distinct from inconvenience. Waiving of repayment should be treated as a cash loss and, where required, application for write-off should be made to the Department.

## Recovery by Court Proceedings

11. If the case is one in which legal proceedings may be necessary, the matter should be referred for legal advice. It is often necessary at this stage to decide whether or not the mistake that led to the overpayment is one of law or one of fact.

In broad terms a mistake of **law** arises when a person, having full knowledge of the relevant facts, comes to an erroneous conclusion as to the legal effect. Thus an overpayment arising from a misconstruction of an Act of Parliament, or, in the case of individuals, misconstruction of an Award, Regulation, Pay Agreement etc is likely to be a mistake in law. This is the case even if the mistake arose by reason of a mistake or ambiguity in the construction of the relevant document since the Courts have held that such a mistake is analogous to a mistake of law. Also, it should be regarded as a mistake of law if the perpetrator of an error was not aware of the relevant law or instruction.

The test as to whether a mistake of **fact** has occurred is not that there has been a misapplication of an Act of Parliament, Award, Regulations etc but that an action has been taken by the paying authority which is inconsistent with the facts. Examples of mistakes of fact are:

- procedural or arithmetical mistakes, e.g. putting the right rate into payment with the wrong start date, a mistake in addition;

- computer input errors including errors on source documentation for input to computer systems, e.g. wrong dates or figures entered or keyed from forms; and
- other clerical errors or forgetfulness.

As this is often a difficult distinction to make, it is best to seek legal advice, although in the case of a small amount of money this may not be cost effective.

### **Collective Overpayments**

12. If a group of people has been overpaid as a consequence of the same mistake, repayment would not be expected until either:

a. all concerned have agreed to it; or

b. it has been decided that there are good grounds for pressing for recovery from all affected.

An exception to this may be made where there are special circumstances relating to a particular individual that places him in a different position from the other members of the group.

13. The delegated limit for write-offs of overpayments is £5,000 (as set out in paragraph 6 of the main body of Appendix C). Cases above this limit should be submitted to the Department for approval together with all necessary supporting documentation.

14. Particular care should be exercised in the investigation of the circumstances surrounding any instances of overpayments made to staff who themselves have been involved in the determination, computation or payment of the amounts involved or in the development of the provisions under which the payment was made. Although, as a general rule, staff should not be in a position to authorise payments to themselves, every effort

should be made to recover the amount in such cases and if write-off is eventually recommended, the approval of the Department should be obtained irrespective of the amount.

15. Colleges should also refer to Managing Public Money Northern Ireland Chapter 4 annex 4.11 for guidance on overpayments.

## SECTION 3: FRAUD/MISAPPROPRIATION/THEFT

### INTERNAL FRAUD

1. Colleges should refer to Managing the Risk of Fraud (NI) available on the AFMD website.
2. Colleges should have in place detailed Fraud Response Plans which should be implemented and regularly reviewed.
3. Colleges should also refer to Managing Public Money Northern Ireland Chapter 4, annex 4.7 where detail is provided on arrangements for preventing, countering and dealing with fraud.

**SECTION 4: NOTATION OF LOSSES IN ANNUAL ACCOUNTS**

1. The following arrangements will apply with regard to the notation of losses and special payments in the annual accounts.

**2. Individual Losses up to £1,000**

- There is no need to note losses and special payments where the total for the year does not exceed £1,000.
- Where total losses in a year exceed £1,000 but no one individual loss exceeds £1,000, the accounts should contain a simple footnote, for example:-

**“Losses and Special Payments** **£1,500**  
**There were 8 minor cases of losses written-off during the year.”**

**3. Individual Losses Exceeding £1,000**

Any individual losses/special payments that exceed £1,000 require a separate footnote in the accounts, with a brief explanation, for example:

**“Losses and Special Payments** **£4,500**  
**Ex-Gratia payment- out-of-court**  
**settlement to ex-staff member** **£2,500**  
**Store losses written-off due to flooding** **£2,000.”**

**4. Combined Notations**

Where total losses in a year exceed £1,000 and include one or more individual loss above £1,000, then the total should be noted and explanations given as in the case of paragraph 3 above, for example:

**“Losses and Special Payments** **£5,200**

<b>Ex-Gratia payment- out-of-court settlement to ex-staff member</b>	<b>£2,500</b>
<b>Store losses written-off due to flooding</b>	<b>£2,000</b>
<b>Other minor losses (5 cases)</b>	<b>£700."</b>

The requirement to seek Departmental approval for losses above the delegated limits in Section 1 of this appendix still stands.

**APPENDIX D: FINANCIAL BULLETIN NO. 4****PROCUREMENT GUIDANCE NOTE 03/11 AWARD OF CONTRACTS WITHOUT A COMPETITION****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). All figures quoted are exclusive of VAT for the Core Department. If Non Departmental Public Bodies (NDPBs) cannot reclaim VAT, all figures quoted will be inclusive of VAT.

**2. Key Issues**

2.1 A Single Tender Action (STA) occurs when a contract is awarded to a contractor<sup>1</sup> without a competition. The governance around STAs is particularly complicated and purchasers should familiarise themselves with the practical detail in this Bulletin and PGN 03/11.

2.2 This Finance Bulletin sets out the practical application of PGN 03/11 in the DEL context. It supersedes the Senior Management Team (SMT) paper dated 26-01-12 (Single Tender Action). The major revision to the SMT paper is the inclusion of the

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<sup>1</sup> refers to contractors, suppliers and service providers



Further Education (FE) Colleges and Stranmillis University College; the treatment of low value procurements under £5k; and the role of Finance Division in the STA<sup>2</sup> process. This guidance applies to the FE Colleges and Stranmillis with effect from 01-04-12.

- 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 without a competition. The note also gives guidance on what constitutes STA. The document also deals with the role of the Accounting Officer (AO) in the approvals process. This can either mean the Permanent Secretary or the designated AO in the Arm's Length Body. The PGN emphasises good contract management to avoid inadvertently creating a new contract which has not been subject to procurement rules and is therefore a STA.
- 2.4 PGN 03/11 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. PGN 03/11 does apply Stranmillis University College and the approval of STAs will be delegated to the College's AO.
- 2.5 EU and UK legislation require a public contract to be awarded only on the basis of either lowest price or 'most economically advantageous tender' (MEAT), neither of which can be properly demonstrated without a competition. Whilst the Regulations set out some scope where competition is not required, in practice these circumstances are extremely rare. Consequently the Procurement Board has agreed that all procurement should be subject to competition unless there are convincing reasons to the contrary. STAs should therefore only be awarded in exceptional circumstances. Careful planning is required to ensure that potential procurements are identified early enough to allow the procurement to be taken to market.
- 2.6 Procurement regulations do not apply to arrangements between central government departments providing services to each other.

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<sup>2</sup> Sometimes referred to as Direct Award Contracts

### 3. Approval required to proceed with an STA

- 3.1 The general rule of thumb is that all STAs, irrespective of value or whether they are commissioned by an NDPB or the Department, must have the appropriate AO approval<sup>3</sup> (see tables below). For the Department this is the Permanent Secretary. For NDPBs it is their AO.
- 3.2 Requests seeking AO approval for STAs over £5k, whether this is the Permanent Secretary or the AO in the NDPB must incorporate CPD advice, and legal advice where appropriate, together with a consideration of the circumstances and an assessment of the risks involved. The advice should make it clear to the AO what the risks to the contracting authority are (e.g. it may result in the contract being declared ineffective in the event of legal challenge). The DAC1 form, attached, must be used for this purpose.
- 3.3 Where the Department has delegated the responsibility for the approval of STAs to a sponsored body, that approval must be in accordance with the delegated limits. STA approval has been delegated to LRA, USEL the FE colleges and Stranmillis. In the case of CITB, the Department's prior approval to STA is required.
- 3.4 The Permanent Secretary must ensure that a list of all STAs, including those of NDPBs is retained for consideration by the Departmental Board and Audit Committee. Sponsor branches should ensure arrangements are in place to forward details of all STAs to the Department. We will collect this information through the mid-year and end of year Assurance Statement processes.

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<sup>3</sup> The DEL Minister must also approve all Departmental external consultancy assignments irrespective of value and NDPB consultancies over £10k irrespective of whether they are a STA or not. Finance Division will issue separate guidance. Meanwhile please contact Corporate Governance and Business Planning branch for advice.

3.5 A tabular summary of the approval requirements is given below:-

Value	Body	Category of expenditure	CPD advice via DAC1	NDPB AO Approval	Perm Sec Approval	Disclosure to DEL Board	Ministerial Approval
£<5k	Dept	Not external consultancy	X	N/A	√	√	X
£<5k	Dept	External consultancy	X	N/A	√	√	√ <sup>4</sup>
£<5k	NDPB	Not external consultancy	X	√	N/A	√	X
£<5k	NDPB	External consultancy	X	√	√	√	X

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<sup>4</sup> The DEL Minister must also approve all Departmental external consultancy assignments irrespective of value and NDPB consultancies over £10k irrespective of whether they are a STA or not. Finance Division will issue separate guidance. Meanwhile please contact Corporate Governance and Business Planning branch for advice.

Value	Body	Category of expenditure	CPD advice via DAC1	NDPB AO Approval	Perm Sec Approval	Disclosure to DEL Board	Ministerial Approval
£>5k	Dept	Not external consultancy	√	N/A	√	√	X
£>5k	Dept	External consultancy	√	N/A	√	√	√ <sup>5</sup>
£>5k	NDPB	Not external consultancy	√	√	N/A	√	X
£5-10k	NDPB	External consultancy	√	√	√	√	X
£>10k	NDPB	External Consultancy	√	√	√	√	√ <sup>6</sup>

#### 4. Process

- 4.1 All procurement requires a proportionate business case with appropriate approval. This also applies to the award of a contract without a competition.
- 4.2 When CPD advice is required NDPBs must complete the DAC1 and send it to the ‘sponsoring’ Division. The sponsoring Division will liaise with Corporate Governance and Business Planning branch (CGBP) in scrutinising the DAC1 and CGBP will submit the DAC1 to CPD. Following receipt of CPD’s advice the sponsoring Division will send the DAC1 back to the NDPB for further consideration, locally, by the AO.
- 4.3 For NDPB STAs requiring Permanent Secretary approval there is a further step. Following receipt of CPD’s advice and NDPB AO approval the sponsor Division should make a submission to the Permanent Secretary, appending the DAC1. The submission should include a ‘financial implications’ section and Finance Division’s

<sup>5</sup> The DEL Minister must also approve all Departmental external consultancy assignments irrespective of value and NDPB consultancies over £10k irrespective of whether they are an STA or not. Finance Division will issue separate guidance. Meanwhile please contact Corporate Governance and Business Planning branch for advice.

<sup>6</sup> Same as above.

views should be included. This will avoid the Permanent Secretary having to routinely refer the submission to Finance for a view.

- 4.4 The process for Departmental STAs will be similar to that outlined above, without the NDPB involvement. A submission to the Permanent Secretary is required irrespective of value and irrespective of whether CPD advice has been sought; and Finance Division's views should be included.
- 4.5 All Permanent Secretary approvals should be copied to Corporate Governance and Business Planning branch.

**APPENDIX E: 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;<sup>7</sup> 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 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. Since 1 April 2013 all new STAs

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<sup>7</sup> refers to contractors, suppliers and service providers

awarded over £30k are required to 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 it should be noted that goods or services below the value of £5k (Excluding VAT is defined as a purchase. Above this amount it is classified as procurement, so therefore procurement rules must then apply.

4.2. The table below lists the requirements for quotations and tendering based on estimated purchasing value. It should be noted that this is the minimum requirement.

Value - Up to £5k	Procedure
Below £5,000 (excluding VAT)	2/3 price checks (fax, telephone or email confirmation should be obtained and retained as an audit trail of action taken) Check aggregation.

4.3. [PGN 04/12](#) classifies these purchases (exclusive of VAT) only as procurement expenditure and therefore they are not subject to full procurement rules. Departments must demonstrate that they are in compliance with Managing Public Money Northern Ireland (MPMNI) and that value for money has been secured by obtaining at least two/three price checks (either by fax, telephone, email or on the net). When asking for a price check / quotation by email please ensure that the wording does not lead the supplier to believe that this is a formal offer / request - it is solely an enquiry to purchase goods or services. Price checks should be documented and retained on file for audit purposes. However, the overarching rule that must be applied in all cases is aggregated costs.

4.4. Where one supplier is being continually used or where the same or similar goods and services are being purchased from different suppliers for less than £5k each time, then all the combined costs (including whole life costs e.g. servicing, maintenance and renewal of licences, value of all options and renewals etc) must be aggregated to arrive at the total value. **The rule of thumb period for aggregation is three years.** If the aggregated purchases are above £5k in this timeframe, then they are above the delegated limits and procurement control limits must apply. This means that a contract

needs to be put in place to prevent rogue spend as this amount is now classed as procurement as opposed to purchasing.

- 4.5. A single procurement must not be split into separate lots to avoid the tendering requirement for control limits e.g. goods/services of £5,700 split into three purchase amounts of £1,900. Where the contract needs the support of a licence then this must be included in total costs for the useful life of the contract. This will reverse the unnecessary trend of using Single Tender Actions for licences.
- 4.6. For Goods and Non- Construction Services with a value of £5K or above please see guidance on the table below:

VALUE – from £5k upwards	PROCEDURE
£5k to £30k	A <b>minimum</b> 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 <b>at least</b> two others must also be invited.
£30k to EU Thresholds	Advertise on eSourcingNI <sup>8</sup> in line with PGN 05/12.
Above EU Thresholds	Advertise on eSourcingNI. EU Directives apply –advertise in OJEU (Official journal European Union)

- 4.7. 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**.<sup>9</sup> In this context, standard means when the goods, services or works can be clearly and simply specified, and are capable of being routinely delivered by a number of suppliers/contractors.

<sup>8</sup> Term eSourcingNI has been used to describe the current web-based portal used by the NI public sector to advertise and tender available contracts.

<sup>9</sup> 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.

## 4.8. 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 <b>at least</b> two suppliers should be carried out. These should be retained on file and documented for audit purposes. <b>Remember rule of thumb for aggregation (paragraph 4.4)</b></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.<sup>10</sup></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 Financial Bulletin No. 4.</p>
£30k to EU Thresholds	<p>Advertise on eSourcingNI in line with <a href="#">PGN 05/12</a>.</p>
Above EU Thresholds	<p>Advertise on eSourcingNI.</p> <p>EU Directives apply –advertise in OJEU (Official journal European Union)</p>

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

<sup>10</sup> This is the UK’s register of construction related contractors and consultants pre-qualified to work for public sector clients.

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

4.11. **For Consultancy Procurement**

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

4.12. 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 <b>minimum</b> 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 <b>at least</b> two others should also be invited
£10k to £30k	A <b>minimum</b> 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 <b>at least</b> two others should also be invited. <b>Procurement through CPD.</b>
£30k to EU Thresholds	Advertise on eSourcingNI in line with <a href="#">PGN 05/12</a> .
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 (Ext 57618 or 90257618) or Margaret McWilliams (Ext 57754 or 90257754).

**APPENDIX F: FINANCIAL BULLETIN 8**

**FINANCIAL BULLETIN NO 8**

**WHISTLEBLOWING GUIDANCE FOR STAKEHOLDERS EXTERNAL TO THE DEPARTMENT**

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## Departmental Policy

### DEPARTMENT FOR EMPLOYMENT AND LEARNING

#### WHISTLEBLOWING GUIDANCE FOR STAKEHOLDERS EXTERNAL TO THE DEPARTMENT

##### Introduction

The purpose of this document is to provide guidance to those wishing to make a whistle blowing or public interest disclosure to the Department.

The Department is keen to be advised if you believe you have information in relation to any of the following occurring within the Department or any of its Arms Length Bodies, or any of its principal contracted suppliers:

- Unlawful conduct
- Abuse of public funds
- Potential fraud
- Threat to health and safety
- Damage to the environment

##### How to raise a concern

If you are not directly a DEL employee, but become aware of wrongdoing or malpractice, disclosures can be made by contacting the Corporate Governance and Business Planning Branch within the Department;

by e-mail: [del-corpgov@nigov.net](mailto:del-corpgov@nigov.net)

or by telephone: **028 9025 7754** or **028 9025 7972**

Once you have told us of your concern, the Department will review the issue to assess initially what action should be taken. This may involve an informal review, an internal inquiry or a more formal investigation. Where it is decided that a formal investigation is necessary the overall responsibility for the investigation will lie with a nominated "investigation officer." The Department will advise you who is dealing with the matter, how you can contact him or her, and whether your further assistance may be needed. If you request, we will write to you summarizing your concern and setting out how we propose to handle it. When you raise the concern you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, we do ask that you tell us at the outset.

We will give you as much feedback as we properly can, and if requested, we will confirm it in writing. However, we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.




## Confidentiality and Protection

The Department will not tolerate the harassment or victimisation of anyone who raises a genuine concern and with this assurance we hope you will raise your concern openly. However, we recognise that there may be circumstances when you would prefer to speak to someone in confidence first. If this is the case, please say so at the outset. If you ask us not to disclose your identity, we will not do so without your consent unless required by law. You should understand that there may be times when we are unable to resolve a concern without revealing your identity, for example where your personal evidence is essential. In such cases, we will discuss with you whether and how the matter can best proceed.

Workers who wish to blow the whistle or make a disclosure in the public interest are afforded safeguards under the Public Interest Disclosure (Northern Ireland) Order 1998 which introduced a policy to provide strong protection from dismissal or other sanction for workers who report wrongdoings that they believe, in good faith, to be true. Further information on these protections is outlined in a short guide to the Order: <http://www.delni.gov.uk/index/about-the-dept/whistleblowing-guidance-for-stakeholders.htm>

## Further advice

Should you require further advice, you can contact Public Concern at Work, a charity specialising in providing advice for whistleblowers, on 020 7404 6609 or through its website at: [www.pcaw.co.uk](http://www.pcaw.co.uk) 

APPENDIX G: FINANCIAL BULLETIN 9

**DEPARTMENT FOR EMPLOYMENT AND  
LEARNING**

**FINANCIAL BULLETIN NO. 9**

**PROCEDURES FOR ECONOMIC APPRAISAL  
AND POST PROJECT EVALUATION**

**24 OCTOBER 2013**

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## SECTION 1 ECONOMIC APPRAISAL<sup>11</sup> – WHAT IS IT/WHEN IS IT REQUIRED?

Economic Appraisal<sup>12</sup> is a systematic process for examining alternative uses of resources, focusing on assessment of needs, objectives, options, costs, benefits, risks, funding, affordability and other factors relevant to decisions. Appraisal is:-

- Designed to assist in defining problems and finding solutions that offer the best value for money (VfM);
- A way of thinking expenditure proposals through, right from the emergence of the need for a policy, programme or project, until its implementation; and
- The established vehicle for planning and approving public expenditure policies, programmes and projects.

**Appraisal is not optional**; it is an essential part of good financial management, and it is vital to decision-making and accountability. An **economic appraisal must be completed prior to any decision or proposal being taken for spending or saving public money, and any other decisions or proposals that involve changes in the use of public resources.** As per FD (DFP) 03/12<sup>13</sup> all decisions to award and/or extend contracts and all decisions to commence procurements must be supported by suitable appraisal.

FD (DFP) 20/09 'The Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE): New DFP Guidance on the Appraisal, Evaluation, Approval and Management of Policies, Programmes and Projects' is the primary guidance for NI Departments<sup>14</sup>. Details on the necessary ten steps of an economic appraisal are outlined at Annex B.

It is crucial that **appropriate and proportionate effort**, is applied to the completion of an economic appraisal. The resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences. A range of pro-formas and templates to guide on this have been developed by Departmental economists and are referred to in Section 2: Step 1.

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<sup>11</sup> It should be noted that training in economic appraisals is currently delivered by DFP economists and these courses can be accessed via the CAL website.

<sup>12</sup> In the main only the term economic appraisal has been used in this guidance, however the terms 'economic appraisal' and 'business case' are often used interchangeably in many other contexts. These are not strictly the same thing. A business case will contain an economic appraisal and other information e.g. proposed arrangements for financing, management, marketing, procurement, monitoring and evaluation of the relevant policy, programme or project. DFP expect the economic appraisal to be presented within a wider business case and therefore DFP's guidance is structured to allow for the development of a business case.

<sup>13</sup> The need for all contracts, including Direct Award Contracts, all contract extensions and all procurement projects to be supported by suitable appraisals and business cases

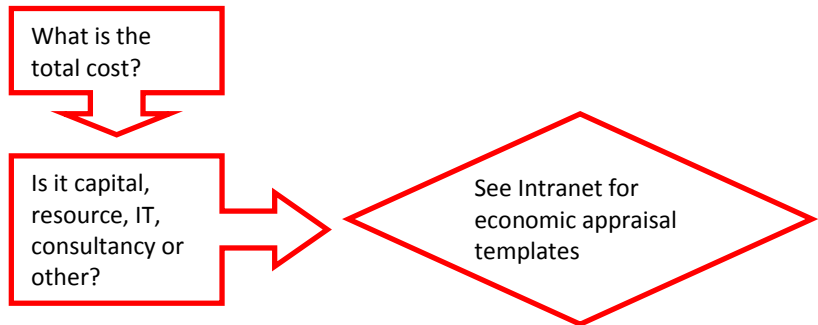
<sup>14</sup> [www.dfpni.gov.uk/eag](http://www.dfpni.gov.uk/eag)

**SECTION 2 ECONOMIC APPRAISALS – THE PROTOCOLS**

The protocols to be followed in order to develop and obtain approval for your economic appraisal are summarised below:

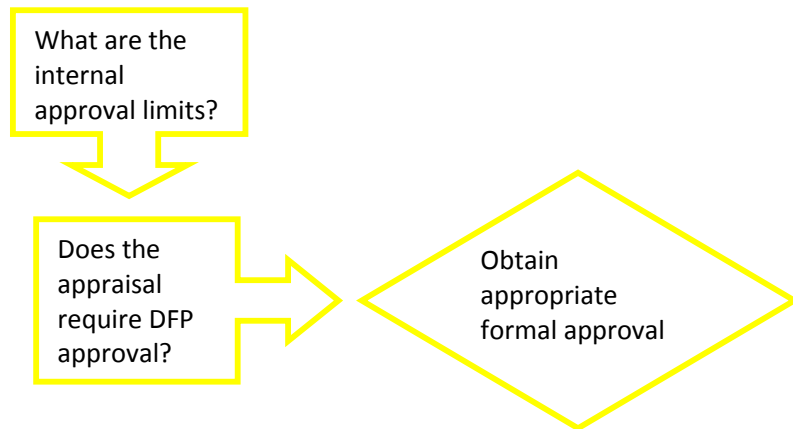
**Step 1: Decide what type of economic appraisal is required?**

See Section 2: Step 1 of this manual for detailed information



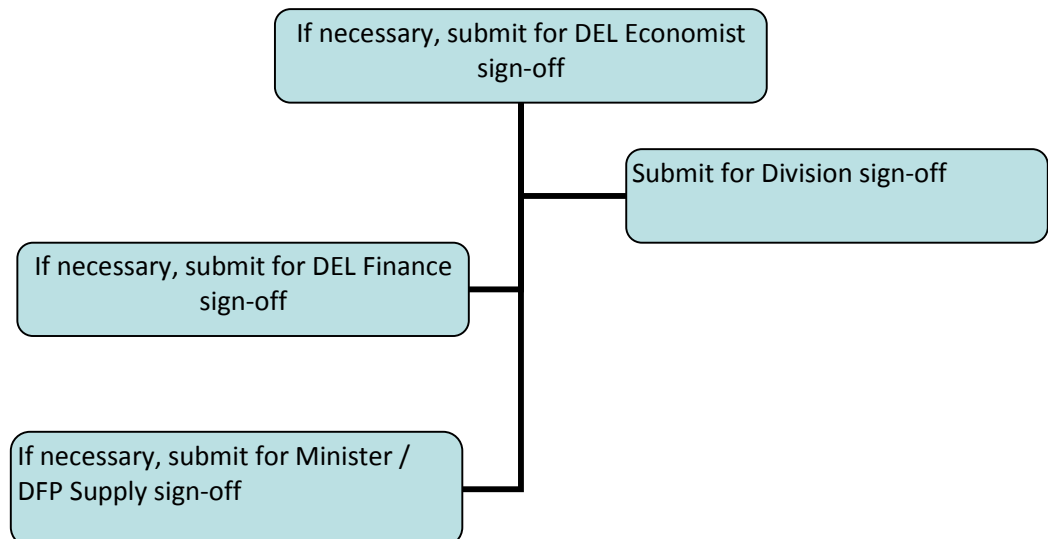
**Step 2: What are the relevant internal limits?**

See Section 2: Step 2 of this manual for detailed information



**Step 3: When to involve the DEL Economists and Finance**

See Section 2: Step 3 of this manual for detailed information



## **STEP 1 CHOOSING WHICH TYPE OF ECONOMIC APPRAISAL**

### **Appraisal of small expenditure (up to £500k)**

To ensure compliance with the principle of commensurate effort, three 'small expenditure templates' for spend up to the value of £500k are available for use. These templates have been agreed with DFP and can be found at the Analytical Services Staff Guidance section on the DEL intranet or the DFP website. Templates are designed to reflect the principle of proportionate effort that should be applied at various expenditure levels and are classified:

- Expenditure up to £30k;
- Expenditure between £30-150k; and
- Expenditure £150-500k.

These templates are live documents which are continually updated to be reflective of new guidance. Consequently, it is recommended that upon commissioning a new economic appraisal that the template used is taken from the staff guidance page on the DEL intranet.

**Templates are selected based on the overall value of the project.** The overall value should be calculated as the **total cost over the lifetime of the project** including capital costs, any refurbishment costs, annual recurrent costs and any irrecoverable VAT. Costings should be expressed in total rather than incremental terms, to expose full resource consequences.

### **Appraisal of projects over £500k and those requiring DFP approval**

There are two specific templates to assist Divisions in the completion of appraisals with a value over £500k and those which require DFP approval for reasons other than cost. The first template is to be used for policy appraisal, whilst the second relates to infrastructure/capital related projects. These too are available at the Analytical Services Staff Guidance section on the intranet.

If you are unsure about the scope or nature of the economic appraisal required please contact the Departmental Economists to discuss what course of action to take. They will be able to give you guidance and will have examples of existing economic appraisals which will help you visualise what kind of assessment is required.

### **Appraisal of major projects and high profile cases**

A Strategic Outline Case (SOC) is now required for the following major projects and other potentially high profile cases:

- All capital projects with a total capital value of £20<sup>15</sup> million or more;

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<sup>15</sup> This £20m threshold should be interpreted as cost figures expressed in real terms (i.e. in prices held constant at their current level), undiscounted

- All revenue projects which fall above the departments delegated limits and for which total central government costs will be £20 million or more over the project's life; and
- All projects, irrespective of cost, that set precedents, are novel, are potentially contentious, could cause repercussions elsewhere in the public sector, or are potentially politically sensitive<sup>16</sup>.

Where there is any doubt as to whether a particular case meets these criteria, there should be early dialogue, between DEL Finance and DFP Supply to determine whether the SOC approval requirement applies. The SOC is a very brief, preliminary document of no more than 10 or 12 pages that introduces the basic project concept and contains enough detail to support an informed decision on whether to proceed to a more detailed business case. Analysis at SOC stage is broad and indicative - too broad and indicative to determine a preferred solution, but sufficient to judge whether it is worth committing resources to a more substantial piece of appraisal work.

In order to facilitate the preparation of SOC, DFP has developed a short pro-forma for use by departments<sup>17</sup>. DFP approval at SOC stage grants permission for the project to proceed to the full economic appraisal stage. It does not include approval to commit expenditure and go ahead with the project. Such approval will continue to be based on the detailed economic appraisal.

### **Public Private Partnerships/Private Finance Initiative (PPP/PFI) Projects**

A series of business cases, each requiring approval from DFP, should be developed for PPP/PFI projects. Beyond SOC stage, all PPP/PFI projects require DFP approval prior to commencement of procurement, based on submission of an Outline Business Case (OBC). In addition all PFI projects (but not generally other PPP) projects will require DFP approval at certain specific stages<sup>18</sup>. Further details are also available from the Departmental Economists.

### **Programmes/Schemes which assist projects that vary widely**

In some cases, the programme/scheme level appraisal can only justify a general tool for intervention, and it cannot be definitive regarding the nature, type and/or scale of projects that will be finally assisted. In these circumstances, it is often appropriate to:

- Complete a less detailed overarching programme/scheme level appraisal, which covers, as far as possible, the main appraisal areas, including repercussiveness, additionality and affordability; and
- Concentrate efforts in carrying out appraisal of individual projects, applying effort that is proportional to the resources to be allocated to each.

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<sup>16</sup> FD (DFP) 12/11 Process for seeking DFP approval of strategic outline cases for major projects – revised guidance

<sup>17</sup> <http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-fds/fddfp1211.pdf>

<sup>18</sup> FD (DFP) 17/11 Amendment to approval requirements for PFI and other PPP projects.

**In these circumstances it would be useful to discuss with Finance prior to development of any appraisal for clarification on the particular needs of a programme/scheme.**

### **Business Case for Consultancy and Research Projects**

DFP's guidance regarding the use of professional services should be followed for considerations around the use of consultants and researchers<sup>19</sup>. The key principle is that external professional services should be engaged only after a business case has been prepared and full consideration has taken place, including consideration of the appropriate use of in-house capacity. Business cases should set out in detail, proportionate to the proposed assignment:

- The purpose of the assignment;
- A reasoned assessment of the alternatives to external resources, and particularly the justification for using external consultants/researchers. Where it is decided not to use internal resources a full explanation must be provided for this decision;
- The immediate and long-term outputs and benefits expected from the external resources, when they are likely to accrue and how they will be measured;
- The proposed project management arrangements, including management of deliverables, expectations and risks;
- The means by which skills/expertise (and the nature of these skills/expertise) will be transferred to 'in-house' staff and/or internal resources if appropriate. If not appropriate, the business case should state the reasons why it is not appropriate;
- The proposed division of work between the external professional and 'in-house' staff who will be assisting them;
- The expected costs of both the external and the in-house' effort (in this instance DFP highlighted that optimism bias should not be applied when identifying costs, the business case should simply contain the best estimates of the cost of the proposed external consultancy/research arrangement);
- The performance review arrangements;
- How the results of the consultancy/research will be implemented and monitored;
- The business case should advise on who will complete the Post Project Evaluation and what it will involve. Evaluations should be carried out independently and with proportionate effort to the expenditure involved. Note that those research projects completed as part of the Department's Research Agenda are required to complete a PPE template 3 months after publication of the respective research project. In addition, all projects under the Research Agenda will be considered as part of the Department's next planned overall evaluation of the Strategy; and
- Any other considerations specific to the assignment.

Business case templates for consultancy and research projects are available on the DEL intranet or DFP website.

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<sup>19</sup> FD (DFP) 07/12 Attachment Use of Professional Services including Consultants



When a consultancy business case is submitted to DEL Finance, the covering email must specify:

- The individual (or team as appropriate) with responsibility for managing the consultancy assignment;
- Details on the proposed liaison with the consultant to fulfil information requirements and resolve problems and identification of Interim milestones /targets that are to be monitored for the duration of the contract; and
- That a formal action plan for implementation has been drawn up.

## STEP 2 WHAT ARE THE RELEVANT INTERNAL LIMITS

### DEL Internal Approval levels

Detail on the internal delegation limits for DEL are summarised below, these also apply to NDPBs as listed at Annex A. Further Education Colleges should also apply the following:

- i. The pro-forma economic appraisals for expenditure in the thresholds of £0-£30,000, £30,001-£150,000 and £150,000-£500,000 should be used in preparing any appraisal of these amounts;
- ii. Expenditure over £500,000 requires a full economic appraisal as detailed in NIGEAE;
- iii. In relation to capital expenditure, colleges must submit any appraisal of £500,000 and over to the Department for approval;
- iv. Appraisals for IT capital projects over £1,000,000 will require DFP approval;
- v. All PFI/PPP projects require DFP approval;
- vi. Expenditure on all other capital projects greater than £1,500,000 requires DFP approval;
- vii. Expenditure on Further Education buildings greater than £5,000,000 requires DFP approval; and
- viii. In relation to resource expenditure on new programmes, changes to programmes, specific revenue projects and special events colleges must submit any appraisal over £500,000 to the Department for approval.

Please note that whilst appraisal templates are selected based on total cost (including irrecoverable VAT), delegation limits are based on the total central government monies, i.e. the total amount of CGV funding being sought by the project. The delegated limits below reflect this and are **on a total basis, not a per annum basis**<sup>20</sup>.

Where the Department is funding/part-funding a project of one of its sponsored bodies the following guidelines are applied in deciding if delegated limits have been breached:

- Where the sponsored body is a public body the total project cost applies
- Where the sponsored body is not a public body the DEL contribution (and that of a public body if applicable) applies

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<sup>20</sup> E.g. the Asset Skills programme has a total project cost of £328k, with expenditure of £80k in Year 1 and £248k in Year 2. Sign-off for this appraisal will be by G3 as it is the total government cost that determines delegated limits not the p.a. expenditure.

Type of Commitment	Total Government Expenditure	Level of Approval Required <sup>1</sup>
Capital projects; and New programmes, changes to programmes, revenue projects in the Department, NDPBs, Universities and St Marys University College	Up to £99k	G7
	£100k to £249k	G5
	£250k to £499k	G3
	£500k to £999k	Permanent Secretary
	Over £1,000k	Minister
ICT	As above. <b>Spend &gt; £1 million requires DFP approval.</b>	
Research Agenda	Spend > <b>£50k requires Ministerial approval.</b> Spend > <b>£75k requires DFP approval.</b>	
Consultancy	All Departmental spend requires Ministerial approval irrespective of value. For NDPBs Ministerial approval is required for spend >£10k. <b>Spend &gt; £75k requires DFP approval.</b>	
Special events	Up to £500k	Finance Director & G3 Resources.
	Over £500k	Finance Director, G3 Resources & Minister
Accommodation	To be discussed and agreed with Corporate Services and Finance.	

<sup>1</sup> The same delegated limits apply to a project that will result in a positive monetary result, e.g. sale of an asset or a financial saving due to a reduction in services.

**All projects that require Ministerial and/or DFP approval must be submitted to and approved by the Permanent Secretary.** All NDPB external consultancies of £10k or more must have the prior approval of the Minister. There is no requirement for Ministerial approval for external consultancies in the HE sector (with the exception of Stranmillis University College which has been designated as an NDPB with effect from 1 April 2012). If you are in any doubt as to whether your project requires Ministerial approval, please do not hesitate to contact DEL Finance. No public expenditure should be committed, and if the project is to be 100% funded by public expenditure, none of the relevant activity should commence, until approval has been granted. Expenditure that is incurred without the necessary approvals is **irregular** and this could lead to the Departmental Resource Accounts being qualified by the NIAO. Step 3 (pg. 15) explains how and when DEL Economists and DEL Finance will be involved in the approval process.

**DFP Supply Approval**

Approval from DFP Supply is required for any proposals, irrespective of value, which:

- Could create pressures which could lead to a breach of:
  - Departmental Expenditure Limits;
  - Administration cost limits, resource limits, capital limits including capital grant; or
  - Estimates provision.
- Would entail contractual commitments to significant levels of spending in future years for which plans have not been set;
- Could set a potentially expensive precedent;
- Could cause repercussions for others;
- Exceed the general threshold for major capital expenditure projects;
- Are novel or contentious; and
- Are PFI/PPP projects.

It is the responsibility of the business area and ultimately the personal responsibility of the relevant Director to ensure that these considerations are taken into account during the preparation of an economic appraisal. In addition to the requirements of the table on page 11, approval from DFP Supply is also required for projects that fall into the following criteria:

Criteria	Reference
University and Further Education buildings - expenditure on all Capital Projects <sup>1</sup> over £5m <sup>2</sup> <sup>3</sup> .	
Expenditure on <b>all other</b> Capital Projects <sup>1</sup> over £1.5m <sup>2</sup> .	
Education Estate: disposal of land on terms other than Land and Property Services valuation	Education & Libraries (NI) Order 1986 Article 105(2)
Payments to persons other than Boards for educational services.	Education & Libraries (NI) Order 1986 Article 115.
Schemes under the 1950 Employment and Training Act – DFP approval to be sought for changes to rates or terms of payment.	The Employment and Training [Amendment] [NI] Order 1988 Section 3[1C]  Disabled Persons (Employment) (NI) Act 1945
New Schemes: subject to agreed resource provision, DEL may introduce or assist programmes which are consistent with its agreed strategy if it considers that this will contribute to the more effective delivery of its objectives. Should DEL bid for funding for a new scheme such a scheme will require DFP approval.	The Employment and Training [Amendment] [NI] Order 1988 Section 3[1C]  Disabled Persons (Employment) (NI) Act 1945
Industrial relations - Approval of fees/expenses of members of Industrial Court. Remuneration and allowances of Certification officer for NI. Industrial Tribunals - Approval of fees/expenses of	The Industrial Relations [NI] Order 1992

members and salaries of President etc of Industrial Tribunals.	The Industrial Tribunals (NI) Order 1996.
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<sup>1</sup> Any project involving a capital investment from which resource consequences (costs and/or benefits) flow over its lifecycle should be classified as a capital project.

<sup>2</sup> Please note the cost used here should reflect the cost post the application of optimism bias calculations.

<sup>3</sup> As it is the total central government cost that determines delegated limits, all sources of funding should be identified, i.e. is it public monies or private funding (or any equity).

Projects must not be split into separate components or phases in order to bring them below delegation limits and avoid submission to DFP<sup>21</sup>.

### General conditions of DFP Supply Approval

DFP Supply approval is given on the basis that a proposal is implemented as described in the business case. DFP Supply approval of a particular project relates solely to agreement to proceed with the project. It does not imply approval for expenditure to be incurred beyond existing agreed Public Expenditure or budgetary positions. Approval of a business case by DFP Supply does not confer approval of any external consultancy element within it - specific procedures apply to external consultancy.

Approval is granted according to strict tolerance levels. If it becomes apparent that total expenditure outlined in the business case will be exceeded by >10% DFP Supply must be notified, via DEL Finance, as soon as possible and appropriate action agreed. Tolerance levels also exist for project implementation. If project commencement is to be delayed by more than 24 months, DFP Supply should be notified as soon as possible. If there is any doubt as to whether any of these conditions have been triggered, DFP Supply should be alerted via DEL Finance. A successful bid within an in-year monitoring round or a budgetary process **does not** constitute DFP approval.

DFP Supply should be consulted, via DEL Finance, if further guidance or assistance is required.

### Specific conditions of DFP Supply Approval

On occasion DFP Supply may make approval subject to specific conditions being achieved; these will be attached in the approval letter issued by DFP. It is the responsibility of the business area to ensure these are met. Any breach of these conditions may lead to DFP Supply withdrawing approval - any expenditure incurred will automatically be irregular and this may lead to qualification of the Departmental Resource Accounts by the NIAO.

### Failure to obtain DFP Supply Approval

All expenditure which falls outside a department's delegated authority and has not been approved by the DFP, is **irregular**. Similarly, any resources committed or expenditure incurred

<sup>21</sup> [FD \(DFP\) 14/11 Appraisal and approval procedures – the Importance of: including total costs; appraising mutually dependent expenditures together; and not splitting projects.](#)

in breach of a condition attached to DFP approval is irregular. Where resource consumption or expenditure is irregular, DFP may be prepared to give retrospective approval if it is satisfied that:

- It would have granted approval had it been approached properly in the first place; and
- The department is taking steps to ensure that there is no recurrence.

If DFP does not give retrospective approval or authorise write-off of irregular expenditure, DFP will inform the NIAO. DFP may also draw the matter to the attention of the Accounting Officer.

**STEP 3 WHEN TO INVOLVE DEL ECONOMISTS AND FINANCE****Research projects**

All business cases to commission external research will always require DEL Economist approval. Analytical Services has developed a template to aid in the completion of such submissions. It should be noted that, as per the table above, Ministerial approval is required for research projects with a value greater than £50k, and DFP approval is required for projects with a value greater than £75k.

**Economic Appraisals – below £250k**

Sign off on these economic appraisals will be by the Head of Division, or the appropriate Grade 7. Generally, neither the Departmental economists nor Finance will be required to review these appraisals; however, this will be kept under review. A significant sample of these appraisals will be the subject of a test drill by the Economists; therefore they must reflect good practice. As always, if you have a query on completing any business case, then DEL Economists and/or Finance will assist. Economic appraisal templates can be found on the DFP website.

**Economic Appraisals – above £250k or novel, contentious or repercussive**

Detailed below are the stages required to ensure sign-off for an economic appraisal with a value greater than £250k. These stages also apply if a project is considered to be novel, contentious or repercussive or is to be submitted to DFP, regardless of value, and it should be submitted to both DEL Economists and DEL Finance. These steps should happen consecutively, however, if in specific cases where there is a timing constraint, these can happen concurrently:

Stage	Receiving Branch/Personnel	Documentation to be Sent by Sponsor Branch	Resultant Correspondence
1	Grade 5/Head of Division	Economic Appraisal	Formal correspondence from Grade 5 confirming approval of the project and outlining other required information.
2	Departmental Economists <sup>1</sup>	Economic Appraisal Formal email from Grade 5	Formal approval from DEL Economists including standard and specific conditions
3	Finance	Economic Appraisal Formal emails from DEL Economists/ Grade 5	Formal approval from Finance Director including standard and specific conditions.
<b>If Ministerial Approval Required</b>			
4	Accounting Officer (AO)	Economic Appraisal Formal emails from DEL Economists/ Grade 5/ Finance Director	Formal approval from AO

5	Minister/SPAD	Briefing including AO approval Economic Appraisal	Formal correspondence from the Minister granting approval
<b>If DFP Approval Required</b>			
6	DFP Supply	Economic appraisal DFP Pro forma Formal letter from DEL Finance confirming VfM and affordability.	Approval letter from DFP will include general and specific conditions.

<sup>1</sup> Victor Dukelow, Wendy Lecky and John Kerr

### Consultancy Business Cases

The process for sign off is detailed below:

Stage	Receiving Branch/Personnel	Documentation to be Sent by Sponsor Branch	Resultant Correspondence
1	Grade 5 /Head of Division	Consultancy EA	Formal wording from Grade 5 confirming they are content with the proposed consultancy spend. Information as per the bullet points outlined on pg 10
2	Finance	Consultancy EA Formal confirmation from appropriate Grade 5	Formal approval from Finance Director including standard and specific conditions.
3	Accounting Officer (AO)	Consultancy EA Formal confirmation from Grade 5/DEL Finance	Formal approval from AO
4	Minister	Consultancy EA Formal confirmation from AO/Grade 5/DEL Finance	Formal correspondence from Minister confirming approval.
5	Corporate Governance Branch	Project title and spend	N/A
<b>If spend greater than £75k</b>			
6	Departmental economists <sup>1</sup>	Consultancy EA	Formal approval from DEL Economists.
7	DFP	Consultancy EA Confirmation of approval from departmental Accounting Officer Confirmation of approval from Minister	

<sup>1</sup>This should occur prior to the branch submitting to either the G5 or DEL Finance



### **Timing and Workload Planning Schedule**

Within 10 working days of receiving an economic appraisal (and 15 for PPP cases), DEL economists will review and report back to Branch with queries etc, unless otherwise agreed with the customer taking into account priorities and other customer needs. Within five working days of receiving an economic appraisal which has been approved at the Economist and Divisional level, DEL Finance will report back with the results of their review. Timing for overall approval of business cases will be determined by the appropriateness of the business case and the promptness of responses to queries raised.

In order to plan workloads and minimise the risk of project approvals being delayed, each division should prepare a schedule detailing the business cases they expect to submit to DEL Economists and Finance in the forthcoming year. An example of such a schedule is available at Annex C. This schedule is to be reviewed and approved by the individual Director and then notified to DEL Economists and Finance by the end of April. The schedule should be updated and reissued quarterly by the business area to enable appropriate planning. DEL Finance will issue timely reminders regarding this schedule.

### **The Role of Branches**

DEL Economists' approval will give assurances that the business case is compliant with NIGEAE guidance and reasonably demonstrates that, of the options considered, the proposal represents an economic, efficient and effective use of resources. DEL Finance can provide advice on the affordability, funding, financial probity and regularity of the expenditure. Corporate governance is assured by ensuring policy and operational proposals with a significant financial implication are signed-off by the finance function. The value of both the Economists' and Finance's input to the appraisal process is increased considerably if they are engaged early and throughout the appraisal process. In particular DEL economists encourage divisions to seek their input on business cases which are completed up to the "option selection" step, particularly for larger expenditure and contentious proposals. This means that feedback can be provided prior to the detailed comparison of the short-listed options and minimises the risk of nugatory work.

### **Summary of Approval Requirements**

The table outlines the main types of project and identifies where internally they should be submitted and when they will have to be approved by DFP supply. As noted above, if a project is novel, contentious or repercussive or requires DFP approval, then it should be submitted to DEL Economists and Finance.

	Type of Project	Business Case Required	Submit to Departmental Economists & Finance	DFP Approval Required	Project Evaluation <sup>1</sup>
<b>Projects with Expenditure Under £250k</b>	Capital/Resource	✓	x	x	✓
	IT	✓	x	x	✓
	Consultancy	✓	✓ <sup>2</sup>	✓ <sup>3</sup>	✓
	Other <sup>4</sup>	✓	x	x	✓
<b>Projects Above £250k but Under Delegated Expenditure Limits</b>	Capital/Resource	✓	✓	x	✓
	IT	✓	✓	x	✓
	Consultancy	✓	✓	✓	✓
	Other	✓	✓	x	✓
<b>Projects Over Delegated Limits</b>	Capital/Resource	✓	✓	✓	✓
	IT	✓	✓	✓	✓
	Consultancy	✓	✓	✓	✓
	Other	✓	✓	✓	✓

<sup>1</sup>Further information on Post Project Evaluations is available in Section 3

<sup>2</sup>Finance must see all consultancy business cases, DEL Economists review only those at £75k and above

<sup>3</sup>DFP must approve those at £75k and above

<sup>4</sup>DEL Economists must see all research business cases

## SECTION 3 EVALUATION – WHAT IS IT?

### Overview of evaluation

Evaluation is an ex post activity which examines the outturn of a project, programme or policy, and is designed to ensure that the lessons learned are fed back into the decision-making process. This ensures government action is continually refined to reflect what best achieves objectives and promotes the public interest. Evaluation plays an important role complementary to appraisal and similar to appraisal is not optional. When any policy, programme or project is completed or has advanced to a pre-determined degree, it should undergo an evaluation with commensurate effort to the resources allocated. Major or on-going programmes, involving a series of smaller capital projects, must also be subject to ex post evaluations (also known as post project evaluations (PPEs) or post implementation reviews (PIRs)). Major expenditures or changes in resource use should be followed by full scale post implementation reviews. Lesser decisions require a more modest evaluation effort.

### Project Evaluation

Project evaluations should be conducted in accordance with the *Post Review* section of the *Successful Delivery (NI)* website and according to PRINCE2 procedures<sup>22</sup>. This requires evaluation to be conducted in two stages:

- A **Project Evaluation Review (PER)**: this reviews the effectiveness of the project management up to the point of project closure. Led by the Project Manager, it should result in an **End Project Report** and a **Lessons Learned Report** as described in the PRINCE2 guidance.
- A **Post Project Evaluation (PPE)**: should be planned before project closure and is the main substance of the ex post evaluation. It compares outturn against estimated costs and benefits, and generally reviews success in achieving objectives. It should be conducted asap after project closure and no later than 6 to 12 months from this date, led by an individual independent of the Project Board and Project Team.

PERs should be conducted by the Project Manager at project closure. However, all other evaluations should be led by individuals who have not been involved in the management or implementation of the proposal under consideration. This is so that they are in a position to take an independent and unbiased view. It is desirable and should be possible to maintain this principle even for the evaluation of lower value projects, although it may not be practical for all de minimis expenditures (i.e. those below £500k). In line with Economic Appraisals, all evaluations of projects with expenditure greater than £250k or considered to be novel, contentious or repercussive will require review and approval by Analytical Services and then submission to Finance Division. For external consultancy assignments all PPEs should be submitted to Finance Division, with those greater than £75k also submitted to Analytical Services.

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<sup>22</sup> [http://www.dfpni.gov.uk/index/index/successful-delivery/programme-management/post\\_review.htm](http://www.dfpni.gov.uk/index/index/successful-delivery/programme-management/post_review.htm)

DFP recommends the use of the template at [http://www.dfpni.gov.uk/coe\\_templates\\_-\\_post-project\\_review\\_v1.0.doc](http://www.dfpni.gov.uk/coe_templates_-_post-project_review_v1.0.doc) for general use to document PPRs/PPEs. DEL economists have adopted this template for the Department and it can be found at <http://del.intranet.nigov.net/index/staff-guidance/analytical-services/business-case-templates.htm>. A separate template is available for PPEs in respect of consultancy assignments. DEL economists can advise on the completion of evaluations and provide a quality assurance role.

### **Policy/Programme Evaluations<sup>23</sup>**

A policy/programme evaluation should normally follow this sequence:

- Establish exactly what is to be evaluated and how the outturns can be measured;
- Define the counterfactual i.e. estimate what would have happened if the intervention (e.g. the project, programme policy or financial assistance) had not occurred;
- Compare the outturn with the target outturn, **and** with the effects of the chosen counterfactual(s);
- Present the results and recommendations; *and*
- Disseminate and use the results and recommendations.

In general, evaluation reports should summarise:

- Whether, and if so, why the outturn differed from that foreseen in the appraisal;
- How effective the activity was in achieving its objectives, and why;
- The cost-effectiveness of the activity; *and*
- What the results imply for future management or policy decisions.

The results obtained should generally lead to recommendations for the future and feed into future decision making. Collection and communication of relevant lessons learned is a key component of evaluation and the key lessons learnt from previous evaluations are collated by Analytical Services and circulated to SMT for wider dissemination.

The Department maintains a rolling schedule of policy/programme evaluations. This is the vehicle through which the Department plans and prioritises its medium term policy/programme evaluation needs. Analytical Services updates and rolls forward the Programme on an annual basis and the process of refreshing the Programme is designed to ensure that evaluations are timed to maximise impact/influence on subsequent policy review.

### **DFP role**

DFP Supply request sight of evaluations of larger projects and those projects which DFP Supply believe to have substantial read across to other projects. The original letter of approval from DFP Supply will stipulate whether or not a PPE must be submitted to DFP.

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<sup>23</sup> Note that policy/programme evaluations are different to those for a project, the contact point for such evaluations is either Alan Ramsey or Victor Dukelow

Should the appropriate evaluation not be completed then Supply will likely rescind project or programme approval. This being said, DFP Supply will continue to exercise its central monitoring role in respect of the completion of all evaluations and can request sight of evaluations through the test drill exercise.

DFP will request an assurance from departments on an annual basis that all PPEs that are due to be carried out have actually been completed. This will be informed by the development of an EA and PPE database (as discussed in the next section).

## SECTION 4 DEL DATABASE AND TEST-DRILLING

### Economic Appraisal and PPE Database

The Department must maintain a record of **all** business cases and PPEs. A spreadsheet has been established for each division and it is the responsibility of each Head of Branch to ensure the nominated Divisional colleague is advised on a timely basis of the necessary information to enable update on an ongoing basis.

Guidance on completing the EA/PPE Database is included at Annex D.

### Test-Drilling

Business areas should be aware that as required by DAO (DFP) 06/12 DEL Economists and Finance will undertake an annual “test-drilling” of economic appraisals and PPEs that fall:

- Within delegated limits; and
- Within the delegated limits given to sponsored bodies.

A report of the findings of the examination of individual cases will be provided to the Departmental Accounting Officer and to DFP Supply on an annual basis, by 30 June each year. This underscores the need to conduct Business Cases and PPEs and to undertake them to an appropriate standard regardless of the size of expenditure involved.

### Contacts

The primary internal contacts are:

Division / Branch		Extension
Strategy, European & Employment Relations / Departmental Economists	Victor Dukelow	57610
	Wendy Lecky	57672
	John Kerr	57775
Finance / Corporate Governance & Business Planning	Philip Cromie	57838
	Victoria Reid	57439

## **NON-DEPARTMENTAL PUBLIC BODIES (NDPBS) OF THE DEPARTMENT FOR EMPLOYMENT AND LEARNING**

Listed below are the Non-Departmental Public Bodies of the Department for Employment and Learning (DEL):

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

## GUIDANCE TO ECONOMIC APPRAISAL

It is generally recognised that there are ten steps in the appraisal process. The steps together with some brief guidance on the nature of information required for each are outlined below. This guidance is not comprehensive thus reference should always be made to NIGEAE.

STEP	MAIN PROCEDURES IN BRIEF	GUIDANCE
1. EXPLAIN THE STRATEGIC CONTEXT	<ul style="list-style-type: none"> <li>• Refer to underlying policy or strategy, e.g. policy statements, statutory requirements, or business plans.</li> <li>• Indicate how the proposal is expected to contribute to the relevant strategic aims and objectives.</li> </ul> <p>NB: STRATEGIC CONTEXT SECTIONS SHOULD BE VERY SHORT AND NORMALLY NO MORE THAN 2 PAGES OF ANY BUSINESS CASE.</p>	NIGEAE <a href="#">section 2.1</a>
2. ESTABLISH THE NEED FOR EXPENDITURE	<ul style="list-style-type: none"> <li>• Establish the need for expenditure by:-               <ul style="list-style-type: none"> <li>○ analysing the expected demand for services; and</li> <li>○ identifying deficiencies in current service provision.</li> </ul> </li> <li>• Justify and quantify the proposed level of service provision over the appraisal period.</li> </ul> <p><i>Where funding the non-Govt sectors is in view:-Assess <b>Additionality</b> i.e. establish that the proposed assistance is the minimum necessary.</i></p>	NIGEAE <a href="#">section 2.2</a>  NIGEAE section <a href="#">4.3</a>
3. DEFINE THE OBJECTIVES AND CONSTRAINTS	<ul style="list-style-type: none"> <li>• Define the expected outcomes and outputs.</li> <li>• Specify targets that are SMART i.e. <b>S</b>pecific <b>M</b>easurable <b>A</b>chievable <b>R</b>elevant and <b>T</b>ime-dependent.</li> <li>• Include implementation targets e.g. dates, milestones.</li> <li>• State the key constraints on the project, e.g. technical, financial, legal, timing etc.</li> <li>• Indicate the relative priority of individual objectives or elements of</li> </ul>	NIGEAE section <a href="#">2.3</a>



STEP	MAIN PROCEDURES IN BRIEF	GUIDANCE
	<p>the proposals</p> <ul style="list-style-type: none"> <li>• Provide sufficient detail to enable option generation and option performance assessment.</li> </ul>	
4. IDENTIFY & DESCRIBE THE OPTIONS <sup>1</sup>	<ul style="list-style-type: none"> <li>• Identify and describe a baseline option, usually the status quo, and a suitably wide range of alternative options.</li> <li>• Consider variations in scale, quality, technique, location, timing and funding method.</li> <li>• Choose a suitable number of options for full appraisal.</li> <li>• Where some are rejected before full appraisal, explain reasons for rejection.</li> </ul>	NIGEAE section <a href="#">2.4</a>
5. IDENTIFY & QUANTIFY THE MONETARY COSTS AND BENEFITS OF OPTIONS <sup>2</sup>	<ul style="list-style-type: none"> <li>• Detail capital costs, including any refurbishment costs, and annual recurrent costs and benefits of all options.</li> <li>• Express costings in total rather than incremental terms, to expose full resource consequences.</li> <li>• Include opportunity costs and residual values for all assets employed, whether already owned or not.</li> <li>• Assess displacement, and adjust costings accordingly.</li> <li>• Adjust for inflation and (where relevant) tax differences.</li> <li>• Where cost savings or efficiency improvements are projected, indicate whether they will represent financial savings or redeployment of resources.</li> <li>• Consider costs and benefits to other parts of the public and private sectors.</li> </ul> <p><i>Where funding the non-Govt sector is in view:-Assess <b>Cost-Effectiveness</b> by reference to relevant ratios such as cost per job, public assistance to project cost, etc.</i></p>	<p>NIGEAE section <a href="#">2.5</a></p> <p>NIGEAE section <a href="#">4.4</a></p>
6. APPRAISE RISKS AND ADJUST FOR OPTIMISM BIAS	<ul style="list-style-type: none"> <li>• Prepare a risk log identifying and quantifying the main risks associated with the proposal.</li> </ul>	NIGEAE section <a href="#">2.6</a>

STEP	MAIN PROCEDURES IN BRIEF	GUIDANCE
	<ul style="list-style-type: none"> <li>• Consider how risks compare under the different options.</li> <li>• Adjust costs, benefits and timing assumptions for optimism bias.</li> <li>• Develop suitable risk management and risk reduction strategies.</li> </ul>	
7. WEIGH UP NON MONETARY COST & BENEFITS (INCLUDING SUSTAINABILITY, EQUALITY & LIFETIME OPPORTUNITIES)	<ul style="list-style-type: none"> <li>• Identify all relevant non-monetary costs and benefits - economic, social, environmental and others</li> <li>• Quantify them in suitable units where possible.</li> <li>• Show how they compare under the different options e.g. "list and describe" in simpler cases; use "impact statement" or "weighted scoring method" in others.</li> <li>• Consider need to screen for and/or assess in detail sustainability, equality &amp; Lifetime Opportunities.</li> <li>• Decide whether any specific types of impact assessment are required e.g. health, environmental, transport, equality or integrated impact assessment.</li> <li>• Explain assumptions clearly e.g. basis of quantification. Where employed, weights and scores should be explained individually.</li> <li>• Interpret the results of the non-monetary analysis.</li> </ul>	NIGEAE section <a href="#">2.7</a>
8. CALCULATE NET PRESENT VALUES (NPVs) AND ASSESS UNCERTAINTIES	<ul style="list-style-type: none"> <li>• Identify phasing of monetary costs and benefits over suitable time period, adjusted for inflation, optimism bias and (where relevant) displacement and tax differences.</li> <li>• Calculate NPV (or NPC) for each option, using correct discount rate.</li> <li>• Include spreadsheets detailing the calculations, including disaggregation of cost/benefit items.</li> <li>• Show, for each year, the discount factors used, the total NPV for the year, and the cumulative NPV to that year.</li> <li>• Identify the price basis and base year for discounting.</li> <li>• Test and interpret the sensitivity of the NPVs (or NPCs) to changes in</li> </ul>	NIGEAE section <a href="#">2.8</a>

STEP	MAIN PROCEDURES IN BRIEF	GUIDANCE
	<p>important assumptions, and explain choice of variations covered.</p> <ul style="list-style-type: none"> <li>• Interpret the results e.g. estimate the probability of various possible outcomes and implications for option ranking.</li> <li>• Provide sufficient detail to enable checking of calculations.</li> </ul>	
<p>9. ASSESS AFFORDABILITY AND RECORD ARRANGEMENTS FOR FUNDING, MANAGEMENT, PROCUREMENT, MARKETING, BENEFITS REALISATION, MONITORING, AND EX POST EVALUATION</p>	<ul style="list-style-type: none"> <li>• <i>Affordability</i>: Include budget, cash flow and funding statements, phased over time.</li> <li>• <i>Management</i>: Give details of proposed personnel, procurement method, timetable, benefits realisation plan, accommodation needs, staffing issues etc.</li> <li>• <i>Procurement</i>: Assess alternative procurement options.</li> <li>• <i>Marketing</i>: Provide market assessment and marketing plan as appropriate</li> <li>• <i>Benefits Realisation</i>: Include draft BRP in OBC and final version in FBC.</li> <li>• <i>Monitoring</i>: Indicate how the proposed option will be monitored during and after implementation.</li> <li>• <i>Evaluation</i>: Record pre-implementation levels of resource use and service provision. Indicate factors to be evaluated, when, how and by whom.</li> </ul> <p><i>Where funding the non-Govt sector is in view:-Assess <b>Viability</b> i.e. examine cash flows, management &amp; financial arrangements to ensure that funding is not wasted on proposals that will fail prematurely.</i></p>	<p>NIGEAE sections <a href="#">2.9</a>, <a href="#">10</a> &amp; <a href="#">11</a></p> <p>NIGEAE section <a href="#">4.5</a></p>

STEP	MAIN PROCEDURES IN BRIEF	GUIDANCE
10. ASSESS THE BALANCE OF ADVANTAGE BETWEEN THE OPTIONS AND PRESENT THE RESULTS & CONCLUSIONS	<ul style="list-style-type: none"> <li>• Write up the steps of the appraisal in the order shown here.</li> <li>• Give details of assumptions and calculations, using appropriate appendices.</li> <li>• Include summary of main results (i.e. NPVs/NPCs, unquantifiables and uncertainties) for each option.</li> <li>• Draw out the balance of advantage among options, assess VFM and affordability, and record conclusions and recommendations.</li> </ul>	NIGEAE section <a href="#">2.10</a>

<sup>4</sup>An option may affect, or be affected by, other expenditure across the public sector. Where a number of expenditures or activities are linked together and the costs or benefits are mutually dependent, the proposal must be appraised as a whole. However, the contribution of the component parts of each proposal to achieving overall value for money must be taken into account.

<sup>2</sup>FD (DFP) 14/11 All mutually dependent expenditures must be appraised together. Where one expenditure clearly gives rise to another, they should not be appraised separately. For example, an appraisal concerning the construction of a building must take account of all associated costs arising such as land purchase, infrastructure and works services, fitting out with equipment, security, staffing, maintenance and other operational costs.

## FB9 Annex C

## WORKLOAD PLANNING SCHEDULE

TITLE OF PROJECT	TYPE OF PROJECT	OVERALL VALUE OF PROJECT	TOTAL CENTRAL GOVERNMENT MONIES BEING SOUGHT	REQUIRED INTERNAL APPROVAL	DOES IT HAVE TO GO TO DFP (PLEASE STATE REASON)	DATE FOR SUBMISSION TO DEL ECONOMISTS	DATE FOR SUBMISSION TO DEL FINANCE
University new build	Capital	£20m	£6m	Ministerial	Yes - expenditure above £5m	Nov-13	Dec-13
New employment programme	Resource	£750k	£750k	G3	No - revenue programme	Dec-13	Jan-14
PPE of EU Programme	Consultancy	£20k	£20k	Ministerial	No - spend below £75k	Not required	Mar-14

## **INSTRUCTIONS FOR THE COMPLETION OF THE ECONOMIC APPRAISAL/POST PROJECT EVALUATION DATABASE**

### **Background and Actions**

It is necessary for individual Divisions/Branches to keep an accurate spreadsheet record that can then be submitted to CGBP for reporting to the Department's Audit Committee and DFP and for completion of the annual test drilling exercise.

It is the responsibility of each Head of Branch to ensure that all necessary information is collated. Following a benchmarking exercise, CGBP would suggest that Divisions adopt the following guidelines:

- a staff member, at SO/DP level, should be tasked with maintaining the spreadsheet;
- all staff should be made aware of the need to submit, to the nominated staff member, the required information regarding the development of an EA or PPE. A proactive approach should be adopted; and
- whilst some branches may already have a member of staff designated to a business case monitoring role, any new role at a divisional level should oversee branch inputs.

Whilst Divisions are expected to proactively fill the database, CGBP own the database and will undertake random checks to ensure that accurate and timely information is input. CGBP will also use this information to issue timely reminders for all required PPEs.

### **Design**

To enable the process, CGBP has developed a spreadsheet and this is now available in TRIM. The spreadsheet comprises of a series of columns split into two distinct areas: one for EAs (yellow) and one for PPEs (green) consisting, in total, of three sections. The first column in Section 1 (yellow) is to be completed at the outset with the remaining columns in this section to be completed on an ongoing basis as the information on EAs becomes known.

The PPE area is sub-divided into the remaining two sections – one for completion when the PPE arrangements in the appraisal have been agreed, which will normally be at the same time as much of Section 1 (yellow) is completed, and one for completion when a PPE has been undertaken.

The spreadsheet has been designed in this way to make it easier for users. It allows for information to be recorded at the outset and additional information to be added as projects progress.

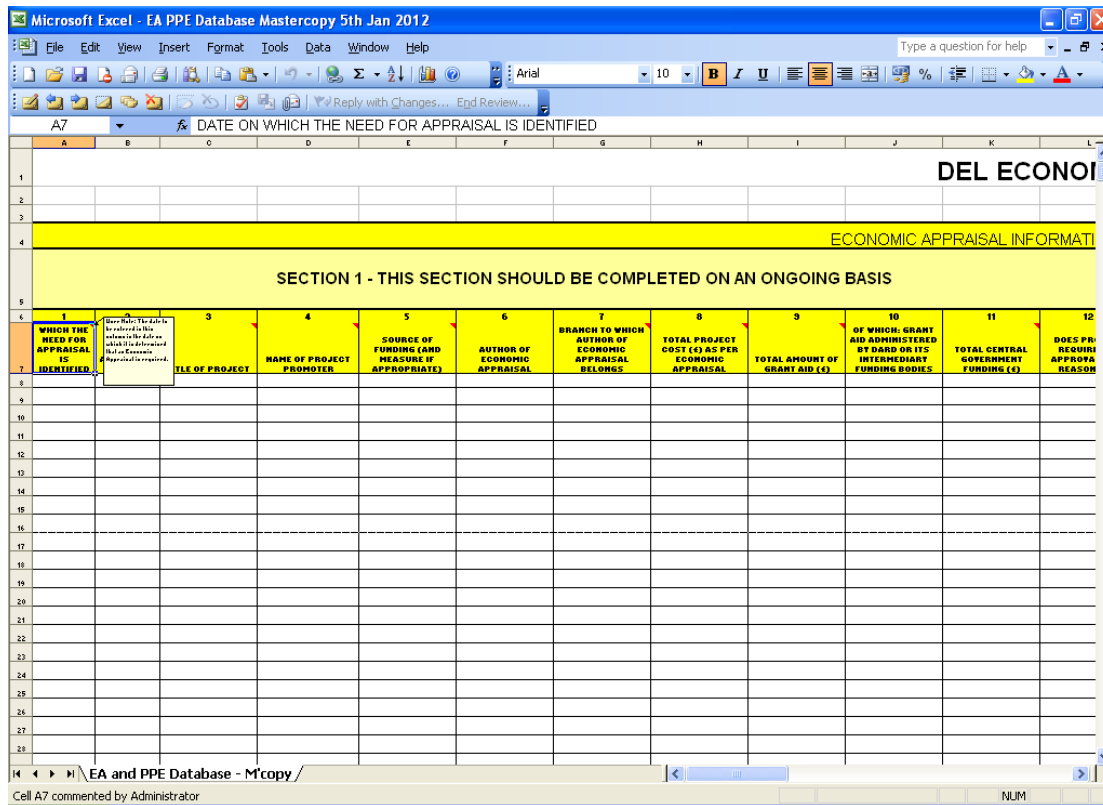
**Instructions**

The spreadsheet should be completed at the outset, where an EA will be undertaken, and kept up-to-date as things progress, including recording details of the completion of PPEs. In all, there are 3 stages to completing the spreadsheet and the following should help identify the requirements:

- section 1 (yellow) should be completed at the outset initially and kept up-to-date on an ongoing basis;
- section 2 (light yellow) should **only** be completed when an addendum to an economic appraisal is required;
- section 3 (light green) should be populated with details of the anticipated PPE arrangements once an EA has been completed; and
- section 4 (dark green) should be populated whenever a PPE has actually been completed.

A new entry should be made for each project.

Guidance notes below help define what is required for each of the columns, these notes are also accessible on the spreadsheet by hovering over the red triangles on the top right hand corner of the title cell of appropriate columns. This can be seen clearly in the screen shot below.



The spreadsheet **should not be** altered in any material way, i.e. no additional columns should be added or titles of column headings altered. Column widths and row heights can of course be adjusted to aid completion of the spreadsheet and text wrapping can be applied in cells for the same reason.

## **GUIDANCE NOTES DEFINING AND ADVISING WHAT INFORMATION SHOULD BE INCLUDED ON THE EA AND PPE DATABASE**

### **EA PART OF DATABASE – SECTION 1**

#### **Column 1 – DATE ON WHICH THE NEED FOR APPRAISAL IS IDENTIFIED**

The date to be entered in this column is the date on which it is determined that an Economic Appraisal is required.

#### **Column 2 - PROJECT REF/ID NO./CODE (IF APPROPRIATE)**

If your business area uses a specific form of identification it should be inserted in this column to allow for the unique identification of each project. This will be important should Economists, CGBP staff or anyone else raise a query.

#### **Column 3 - TITLE OF PROJECT**

Sufficient information should be included in the project title to allow it to be easily identified at any stage in the future. DEL repeats certain schemes/projects over time, so it should be clear to which time-period a project refers.

#### **Column 4 – NAME OF PROJECT PROMOTER**

Please provide the name of the organisation or group promoting the project. Examples will include the name of a Government Department, NDPBs etc.

#### **Column 5 – SOURCE OF FUNDING (AND MEASURE IF APPROPRIATE)**

Examples will include BSP, Interreg, Peace, etc.

#### **Column 6 – AUTHOR OF ECONOMIC APPRAISAL**

This is self explanatory.

#### **Column 7 – ORGANISATION TO WHICH AUTHOR OF ECONOMIC APPRAISAL BELONGS**

Be specific here. For example, if it is a Council please state the name of the Council etc.

#### **Column 8 – TOTAL PROJECT COST AS PER ECONOMIC APPRAISAL (£)**

This should include **all** capital costs plus **all additional** recurrent costs from public sources.

#### **Column 9 – TOTAL AMOUNT OF GRANT AID (£)**

This is funding from all public money sources including DEL, Other Government Departments, EU, IFI, Lottery funding, District Councils etc. towards capital and additional recurrent costs.

#### **Column 10 – OF WHICH: GRANT AID ADMINISTERED BY DEL OR ITS INTERMEDIARY FUNDING BODIES**

This is self explanatory.

#### **Column 11 – TOTAL CENTRAL GOVERNMENT FUNDING (£)**



This is the total funding which requires approval in Departmental Estimates (including EU allocations). Total central government funding excludes, for example, local government, IFI and lottery funding.

**Column 12 – DOES PROJECT REQUIRE DFP APPROVAL, AND REASON WHY**

Economic Appraisals must be submitted to DFP for formal approval in accordance with the Department's delegated limits – see Processes and Procedures Guidance for further information. From 7 August 2008, these delegated limits refer to the total central government cost, which includes EU allocations, over the life of a policy, programme or project. In addition, EAs considered as novel or contentious, or which contain elements of repercusiveness must also be submitted to DFP for approval.

**Column 13 – DATE FIRST SENT TO ANALYTICAL SERVICES**

This is self explanatory.

**Column 14 – DATE FIRST SENT TO FINANCE**

This is self explanatory.

**Column 15 – HIGHEST APPROVAL LEVEL REQUIRED**

This is self explanatory.

**Column 15a – DATE OF APPROVAL**

Insert date on which the highest level of approval received.

**Column 16 – DATE OF ECONOMISTS APPROVAL**

This is self explanatory.

**Column 17 – DATE OF GRADE 5 APPROVAL**

This is self explanatory.

**Column 18 – DATE OF FINANCE DIVISION APPROVAL**

To be completed by Corporate Governance and Business Planning Branch.

**Column 19 – DATE OF PERMANENT SECRETARY APPROVAL**

This is self explanatory.

**Column 20 – DATE OF MINISTERIAL APPROVAL**

This is self explanatory.

**Column 21 – DATE OF DFP APPROVAL**

To be completed by Corporate Governance and Business Planning Branch.

**ADDENDUM TO ECONOMIC APPRIASAL – SECTION 2**

**Column 22 – DATE OF ADDENDUM**

The date to be entered in this column is the date on which it is determined that an addendum to the Economic Appraisal is required.

**Column 23 – AUTHOR OF ADDENDUM**

This is self explanatory.

**Column 24 – NEW TOTAL PROJECT COST (£) AS PER ADDENDUM**

This should include **all** capital costs plus **all additional** recurrent costs from public sources.

**Column 25 – NEW TOTAL AMOUNT OF GRANT AID (£) AS PER ADDENDUM**

This is funding from all public money sources including DEL, Other Government Departments, EU, IFI, Lottery funding, District Councils etc. towards capital and additional recurrent costs.

**Column 26 – OF WHICH: GRANT AID ADMINISTERED BY DEL OR ITS INTERMEDIARY FUNDING BODIES**

This is self explanatory.

**Column 27 – NEW TOTAL CENTRAL GOVERNMENT FUNDING (£) AS PER ADDENDUM**

This is the total funding which requires approval in Departmental Estimates (including EU allocations). Total central government funding excludes, for example, local government, IFI and lottery funding.

**Column 28 – FOLLOWING COMPLETION OF ADDENDUM, DOES PROJECT REQUIRE DFP APPROVAL, AND REASON WHY**

Economic Appraisals must be submitted to DFP for formal approval in accordance with the Department's delegated limits – see Processes and Procedures Guidance for further information.

**Column 29 – DID ADDENDUM CHANGE THE PREFERRED OPTION Y/N**

This is self explanatory. If addendum did change the preferred option, then a rationale should be provided.

**Column 30 – HIGHEST APPROVAL LEVEL REQUIRED**

This is self explanatory.

**Column 30a – DATE OF APPROVAL**

Insert date on which the highest level of approval received.

**Column 31 – DATE OF ECONOMISTS APPROVAL**

This is self explanatory.

**Column 32 – DATE OF GRADE 5 APPROVAL**

This is self explanatory.

**Column 33 – DATE OF FINANCE DIVISION APPROVAL**

To be completed by Corporate Governance and Business Planning Branch.

**Column 34 – DATE OF PERMANENT SECRETARY APPROVAL**

This is self explanatory.

**Column 35 – DATE OF MINISTERIAL APPROVAL**

This is self explanatory.

**Column 36 – DATE OF DFP APPROVAL**

To be completed by Corporate Governance and Business Planning Branch.

**PPE PART OF DATABASE – SECTION 3**

**Column 37 – DATE WHEN POST PROJECT EVALUATION (PPE) IS SCHEDULED TO BE COMPLETED AS PER THE ECONOMIC APPRAISAL**

This is the date on which the PPE is expected to be completed as per the final version of the Economic Appraisal.

**Column 38 – ANTICIPATED AUTHOR OF PPE**

This column should record the anticipated author of the PPE who must be someone independent from those directly involved in the planning and implementation of the project as per the NIAO.

**PPE PART OF DATABASE – SECTION 4**

**Column 39 – ACTUAL DATE WHEN PPE WAS COMPLETED**

This is self explanatory.

**Column 40 – ACTUAL AUTHOR OF PPE**

The author of the PPE must be someone independent from those directly involved in the planning and implementation of the project as per the NIAO. It is not necessary to engage external consultants in order to achieve independence.

**Column 41 – ORGANISATION TO WHICH AUTHOR OF COMPLETED PPE BELONGS**

Be specific here. For example, if it is a Council please state the name of the Council etc.

**Column 42 – VARIANCE BETWEEN TOTAL COSTS OF PROJECT AS PER EA AND ACTUAL OUTTURN (+ OR - £)**

This should be the difference between the total figure in Column 8 and the actual total outturn costs. The variance (+ or -) should be stated using Column 8 as the baseline.

**Column 43 – DATE FIRST SENT TO ANALYTICAL SERVICES**

This is self explanatory.

**Column 44 – DATE FIRST SENT TO FINANCE**

This is self explanatory.

**Column 45 – DATE PPE FORWARDED TO DFP**

To be completed by Corporate Governance and Business Planning Branch.

APPENDIX H: Finance Bulletin 11



**FINANCIAL BULLETIN NO 11**

**CONSULTANCY PROCEDURES**

## DEFINITION OF CONSULTANCY

1. External consultancy is defined as:

*“The provision to management of objective **advice** relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the ‘business-as-usual’ environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.”*

2. This is in contrast to other professional services, such as managed services which describes external resources used to carry out a routine part or core function of a department for a specific duration in a steady state/business as usual or implementation context; or staff substitution which refers broadly to occasions where outside staff are engaged on a temporary basis to cover particular roles for a variety of reasons.
3. The full DFP guidance on the use of professional services (including external consultancy) can be found at: <http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-fds/fddfp0712attv3.pdf>

## EXTERNAL CONSULTANCY PROCEDURES

4. An economic appraisal must be completed for all public expenditure, including external consultancy expenditure, and should be completed on a proportionate effort basis.
5. Once the economic appraisal has been completed, the appropriate level of approval should be sought. Approval limits for external consultancy are detailed below:
  - In terms of the Core Department:
    - **any and all** expenditure requires Ministerial approval; and
    - expenditure > **£75k** requires DFP approval.
  - In terms of the Department’s NDPBs:

- expenditure of < **£10k** and which is not a Single Tender Action (STA) does not require Departmental approval but must be approved by the Accounting Officer of the relevant NDPB;
  - expenditure of < **£10k** in terms of consultancy, which is a STA, must be approved by the Permanent Secretary – for further information, please refer to Finance Bulletin No 4;
  - expenditure of **£10k or more** must have the prior approval of the Minister; and
  - expenditure > **£75k** requires DFP approval.
6. When appropriate approval has been obtained, these should be forwarded to the Corporate Governance mailbox at [Corporate.Governance@delni.gov.uk](mailto:Corporate.Governance@delni.gov.uk)
  7. All external consultancy expenditure should be recorded in individual consultancy record numbers specifically set up for each project. Financial Planning Branch (FPB) will set up the relevant record numbers on request. Please note that all consultancy record numbers should have the word “consultancy” in their description.
  8. External consultancy expenditure should only be incurred once the appropriate approval has been obtained. If expenditure is incurred without the correct approvals, this will be deemed irregular expenditure and could lead to qualification of the Department’s accounts.
  9. Once approval has been granted and the record number has been set up by FPB, the business area should provide Financial Management Branch (FMB) with the Account NI code mapping (i.e. Account Code - A1 - A2 - A3) to be mapped to that particular record number. This coding should then be used by the business area when processing all payments for the project and should only be used to record expenditure for that particular project. This will ensure that all expenditure for a particular consultancy project is recorded against the correct record number.
  10. Any procurement contracts **£5k or greater** must have a Contract Procurement Award (CPA) number assigned to them before any purchase order is raised or payment is made against the contract. This CPA number links all expenditure against the

contract and ensures compliance with Civil Service procurement procedures for which DEL will be assessed.

11. If further work is required above the approved contract value, then the following rules apply:
  - if the variation is < 10%, this is acceptable and no further approval is required;
  - and
  - if the variation is > 10%, then appropriate approval is required.
  
12. Approval of any extensions to external consultancy contracts **must be** provided to Corporate Governance and Business Planning Branch at the mailbox as follows:  
[Corporate.Governance@delni.gov.uk](mailto:Corporate.Governance@delni.gov.uk)
  
13. Corporate Governance and Business Planning Branch will periodically review all expenditure against consultancy record numbers in order to ensure that the appropriate approval is in place.

#### **CONTACT DETAILS**

14. Should you have any queries or require any advice in relation to the definition of consultancy or the procedures around consultancy, please contact Lyndsay Barker on ext 57611.

APPENDIX I: Finance Bulletin 12

FINANCIAL BULLETIN NO 12

Procurement Guidance Note 01/13 - Integrating Social Considerations into Contracts



## INTRODUCTION

1. The Department for Employment and Learning (DEL) bodies which 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.
  
2. Centre of Procurement Expertise (CoPE) where stated throughout the Procurement Guidance Note (PGN) means DFP's Central Procurement Directorate (CPD).

## KEY ISSUES

3. This Finance Bulletin sets out the practical application of [PGN 01/13](#) in the DEL context. Public procurement positively contributes to the delivery of greater equality and social inclusion as well as broader sustainability goals. CPD has piloted the use of social clauses in helping the unemployed and has developed a range of typical contract performance clauses for use by the CoPEs.
  
4. The Programme for Government (PfG) commits Departments and their NDPBs to “include social clauses in **all** public procurement contracts for supplies, services and construction”.
  
5. The Procurement Board requires Departments to:
  - set targets for the implementation of social clauses to meet the PfG commitment;

- monitor compliance with the social clauses as an aspect of general contract management; and
- report quarterly to CPD details of the opportunities delivered through social clauses.

## HOW TO INTEGRATE SOCIAL CONSIDERATIONS INTO PUBLIC PROCUREMENT

6. Social considerations can be incorporated into the contracting process by:
  - linking them to the 'subject matter' of the contract; and/or
  - using 'contract performance clauses'.
7. The 'subject matter' of the contract is about the product, service or the construction work the Department wants to procure.
8. 'Contract performance clauses' set out **how** the contract must be performed, identifying mandatory requirements that successful bidders must accept and must be delivered when the contract is awarded to them. Contracts must not be awarded to bidders who do not accept contract performance clauses.
9. The Department should decide, on a project by project basis, which social considerations are relevant to its needs and obligations and these should be defined in the business case. Consideration at the appraisal stage of social clauses lowers potential resistance to their inclusion and ensures potential benefits are not limited.
10. When determining the strategic context, the need and objectives, social needs and objectives may be framed in terms of improving health, transport, education or training. Social impacts need to be considered when weighing up non-monetary costs and benefits, assessing how options perform against the social objectives set at the beginning of the appraisal.

## PROCUREMENT SPECIFICATIONS

11. On approval of the business case, if the procurement is greater than £30,000, the Department must work with CPD, and if is less than £30,000, liaise with the Procurement Unit to agree a specification. At this point the type of social clause to be included in the contract will be considered.
12. Currently all contracts put in place by CoPEs contain social clauses relating to Fair Employment, Health and Safety and similar statutory requirements. Over and above these requirements, social clauses have generally taken the form of the creation of training or employment opportunities.
13. To help determine appropriate social clauses for inclusion in contracts, business areas and NDPBs can avail of the Social Clause Unit of the Department. The unit can be contacted at:  
[socialclausevalidation@delni.gov.uk](mailto:socialclausevalidation@delni.gov.uk)  
Roisin Sloan on extension 52204 (90252204) or Bernie Blaney on extension 83762 (90726762).
14. Social award criteria may be applied provided they:
  - are linked to the subject matter of the contract;
  - do not confer unrestricted freedom of choice on the Department;
  - are set out in the contract notice and tender documentation; and
  - comply with the fundamental principles of EU law.
15. When social clauses have been identified in the contract, then those requirements must be delivered in full. The Project Manager/Contract Manager must ensure that the Contractor's performance is carefully monitored. Poor performance by the Contractor on the delivery of requirements relating to social considerations must be addressed in accordance with the recommendations on poor contractor performance set out in [PGN 01/12](#).

**Further details**

16. The full Procurement Guidance Note [PGN 01/13](#) can be found on the CPD website.
  
17. For further advice on procurement, please contact Gill Brown of Corporate Governance & Business Planning Branch on extension 57618 (90257618). For Social Clauses, please contact Roisin Sloan on extension 52204 (90252204) or Bernie Blaney on extension 83762 (90726762).