

****

**PROCUREMENT**

**MANUAL**

*Updated August 2013*

Dear Colleagues,

I am delighted to introduce this updated edition of the Procurement Manual. It has been one of our ambitions in the Procurement Team to produce ongoing clear and comprehensive guidance to support procurement activity across the University.

This revised edition recognizes the feedback and suggestions from users across the University, which has enabled us to refine and strengthen those important areas for users. As before; there is much information in the manual but *there is no intention for you to take it all in at once*.

There are plenty of useful web links and supplementary information. I hope that you will pick up an overview, and then look at the detail when you need to. I reiterate that, when you need more clarification or support, my Procurement Team, will be at hand to advise and build on the knowledge acquired though this manual.

Your suggestions and your general feedback remain important to us if this manual is to stay useful to you as refined and supplemented by your feedback. Please send any comments to [procurement@exeter.ac.uk](mailto:procurement@exeter.ac.uk).

John Malloch

Head of Procurement

**Contents Page**

**PROCUREMENT MANUAL**

|  |  |
| --- | --- |
| **Table of Contents** | **Section** |
| [**Section One**](#Section1)**: Introduction** |  |
| What Does "Procurement" Mean? | 1.1 |
| *1.1.1 The Procurement Cycle* |  |
| *1.1.2 Difference between Procurement & Purchasing* |  | |
| Procurement Services | 1.2 |
| Identifying Procurement Expertise | 1.3 |
| Legal Implications of Procurement | 1.4 |
| Procurement Strategy | 1.5 |
| Responsibilities of Schools/Services and Procurement Services | 1.6 |
| Deciding How To Proceed (Decision Matrix) | 1.7 |
| *1.7.1 Do Aggregation Rules Apply?* |  |
| Confidentiality at all times | 1.8 |
| Where to get Procurement Training | 1.9 |
| [**Section Two**](#Section2)**: Defining What You Want** |  |
| Steps Prior To Purchasing | 2.1 |
| Planning Your Project | 2.2 |
| Putting together a Business Case | 2.3 |
| Options Appraisal | 2.4 |
| Supplier Appraisal | 2.5 |
| *2.5.1 When to appraise* |  |
| Drawing up a Specification | 2.6 |
| Stakeholders | 2.7 |
| Setting Award Criteria | 2.8 |
| Value for Money | 2.9 |
| *2.8.1 Challenging the Requirement* |  |
| Considering Environmental Issues | 2.10 |
| Whole Life Costing | 2.11 |
| Risk Management | 2.12 |
| Managing the Contract – setting KPIs in advance | 2.13 |
|  |  |
| [**Section Three**](#Section3)**: Procuring Goods, Services and Works** |  |
| Procurement Processes/Flowcharts | 3.1 |
| *3.1.1 Key Tender Documents* |  |
| Current Applicable Thresholds | 3.2 |
| Use of Consultants | 3.3 |
| In-Tend: Web-enabled Tendering | 3.4 |
| Finding the right EU procurement route | 3.5 |
|  |  |
| [**Section Four**](#Section4)**: Placing Orders** |  |
| Financial Regs | 4.1 |
| Placing an order (New Suppliers) | 4.2 |
| *4.2.1 New Supplier Application Form* |  |
| Internet Purchasing | 4.3 |
| Purchasing Cards | 4.4 |
| Remember the Dermas & Conditions | 4.5 |
|  |  |
| [**Section Five**](#Section5)**: Procurement Regulations relating to the European Union (EU)** |  |
| Introduction to EU Directives | 5.1 |
| *5.1.1 Part A and B Services* |  |
| *5.1.2 Discrimination* |  |
| *5.1.3 Which Regulations Apply?* |  |
| *5.1.4 Mixed requirements (Suppliers/Services/Works)* |  |
| *5.1.5 Aggregation Rules for EU purchases* |  |
| Tender Processes (EU) | 5.2 |
| *5.2.1 Time Limits* |  |
| *5.2.2 Advertising EU Tender Opportunities* |  |
| *5.2.3 Prior Indication Notice (PIN)* |  |
| *5.2.4 Expressions of Interest* |  |
| *5.2.5 Framework Agreements* |  |
| *5.2.6 Confidentiality* |  |
| Mandatory Standstill Period (Remedies) | 5.3 |
| Freedom of Information | 5.4 |
| Procurement/Replacement of Electrical Equipment (WEEE - Duty of Care) | 5.5 |
|  |  |
| [**Section Six**](#Section6)**: Setting Evaluation Criteria and Evaluating Tenders** |  |
| What are Award (Evaluation) criteria? | 6.1 |
| Developing Award (Evaluation) Criteria | 6.2 |
| *6.2.1 Award (Evaluation) Criteria above the Threshold (EU Tenders)* |  |
| *6.2.2 Minimum (Mandatory) Standards & Requirements* |  |
| *6.2.3 Criteria, Sub-Criteria and Sub-Sub-Criteria* |  |
| Tender Evaluation | 6.3 |
| *6.3.1 Lowest price* |  |
| *6.3.2 Most Economical Advantageous Tender (MEAT)* |  |
| *6.3.3 Abnormally Low Tenders* |  |
| Financial/Commercial Assessment | 6.4 |
| *6.4.1 Grounds for Exclusion* |  |
| Scoring References, Presentations (Interviews) and Site Visits | 6.5 |
| Size of the Evaluation Panel | 6.6 |
| Transparency Obligations | 6.7 |
|  |  |
| [**Section Seven**](#Section7)**: Awarding the Contract** |  |
| Pre-Tender Negotiation | 7.1 |
| Bid Clarification and Post Tender Negotiation | 7.2 |
| *7.2.1 Bid Clarifications* |  |
| *7.2.2 Post Tender Negotiation* |  |
| Debriefing Suppliers/ Providers/Contractors | 7.3 |
| EU Contract Award and Debriefing | 7.4 |
| Terms & Conditions (Form of Contract) | 7.5 |
| *7.5.1* Terms & Conditions for Goods and Services |  |
| *7.5.2* Terms & Conditions for Appointment of Consultants |  |
| *7.5.3* Terms & Conditions for Purchase of IT Systems |  |
| *7.5.4 Other* Terms & Conditions of Contract |  |
| *7.5.5* Terms & Conditions Matrix |  |
| Using Terms & Conditions to get more from Suppliers | 7.6 |
| Contractual Risk | 7.7 |
| Final Contract Award | 7.8 |
| Keeping Records | 7.9 |
|  |  |
| [**Section Eight**](#Section8)**: Project Management** |  |
| Post project Review | 8.1 |
| Managing Contracts | 8.2 |
| Post project Review | 8.3 |
| *8.3.1* Provision of management Information |  |
| Ongoing Supplier Assessment | 8.4 |
| Measuring Performance (KPIs) | 8.5 |
| *8.5.1* Ways to Collect Data |  |
| Managing Contract Variations | 8.6 |
| Termination & Exit Strategy | 8.7 |

**APPENDICES** App 1 Procurement Checklist

App 2 [EU Tender Flowchart](#App2)

App 3 [Business Case Checklist](#App3)

## App 4 [Steps Prior To Purchasing](#App4)

 For further information:

<http://www.exeter.ac.uk/finance/procurement/contactus/>

Procurement Services

Second Floor

Northcote House

Streatham Campus

University of Exeter

Exeter

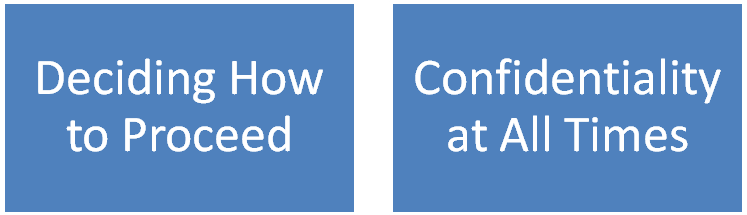
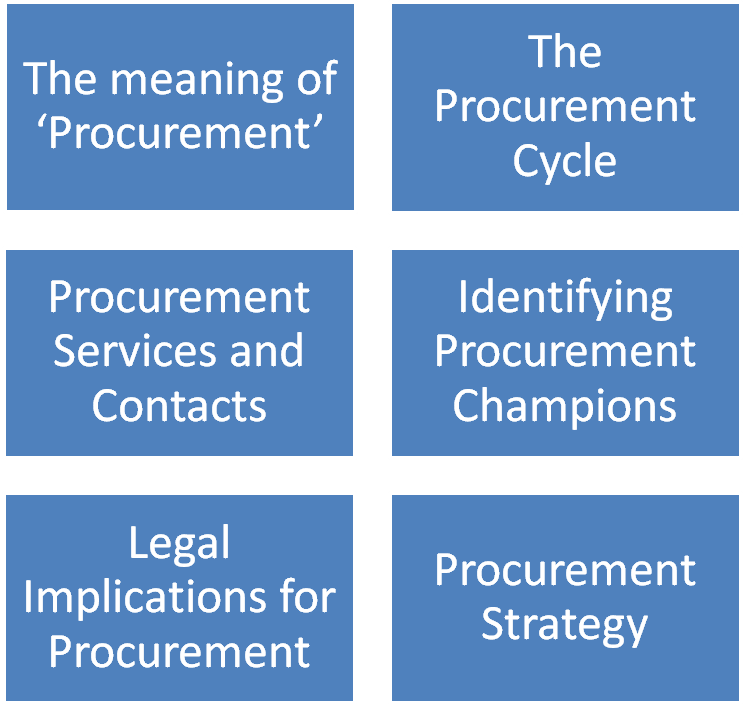
EX4 4QJ

****

**Section One: Introduction**

***Aims:***

An introduction to procurement in general to provide a background for starting a procurement of project



**Section One: Introduction**

[Back to Contents](#Contents)

All procurement activity must be carried out in accordance the University’s Financial Regulations and all staff must make themselves aware of the detail of these regulations set therein. The University’s Financial Regulations set out the minimum procedural requirements for purchasing works, goods and services and must be strictly adhered to.

University of Exeter’s [Financial Regulations](http://www.exeter.ac.uk/finance/policies/regulations/)

University of Exeter’s [Code of Conduct](http://www.exeter.ac.uk/staff/employment/codesofconduct/staff/)

In particular Section B15 sets out the University’s commitment the highest standards of openness, integrity and accountability.

[Rules](http://www.exeter.ac.uk/finance/policies/regulations/governance/gifts/) on receiving Gifts and Hospitality

Section B16 is particularly relevant when dealing with suppliers in that members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. All University personnel, including managers, should be aware of the guidance relating to accepting gifts and hospitality.

Spending public monies carries responsibilities and duties and all staff should be aware of their role in ensuring ethical behaviour. There are a number of key tender documents that direct and/or monitor the progress to ensure these principles are upheld. A planned procurment will protect against claims of favouritism.

Tender Process [Documents](http://www.exeter.ac.uk/finance/procurement/buying/tenderprocess/)

1.1 What does ‘Procurement’ Mean?

'Procurement’ is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the **whole life cycle** from identification of needs, through to the end of a Contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision.

* + 1. *Procurement Cycle*The Procurement Cycle shows the key stages of the procurement procedure when planning to acquire goods (also applicable to research funded projects), services and works from identification of need to completion of purchase/Contract.

[Procurement Cycle](http://www.exeter.ac.uk/finance/procurement/buying/) and Buying

You may similarly come across the concept of *Purchase to pay (P2P)* which can be defined as a "seamless process enabled by technology designed to speed up the process from point of order to payment". The P2P cycle includes all the stages "from the initial identification of requirements, to the procurement/purchasing of the item, through the receipt of the goods ... to the payment of the supplier once the goods are received"

The Purchase to Pay (P2P) process underpins many sub-processes from sourcing and negotiating terms, ordering, receipting and payment, through to contract and relationship management. A well-executed P2P process can increase control and visibility, save costs and generate automation efficiency.

* + 1. *What is the Difference between Procurement & Purchasing?*

In a nutshell, the term 'Procurement’ relates to purchasing in all areas of the University’s non-pay expenditure. In other words, it is the entire process of acquiring goods and services from third parties. It includes identification of requirements, specifications, assessment of risks, ordering, contract award and management, monitoring of suppliers' performance and management of tendering processes.  The procurement process takes into account factors such as the cost over the life (of the good or service, and the quality necessary to meet users' requirements.

It is distinct from 'purchasing' goods and services, which refer to the specific activity of committing expenditure and which tend to focus on issues of price rather than of value."

1.2 Procurement Services

Procurement Services Team helps colleges/services to procure their goods, services and building works. Good procurement provides the right outcome, best whole-life cost, legal compliance, reduces risk and introduces innovation. Procurement Services are also responsible for procurement strategy, best practice policy and training.  Support ranges from advice to direct assistance.

Smarter methods of procurement can eliminate or reduce some cost elements. The aggregation of demands within an organisation, for example, might result in a single contract with improved prices, better terms and conditions, more efficient ordering and consolidated invoicing. A consortium approach, through linking with other buyers with similar requirements, offers the opportunity to share economies of scale, benefit from potentially greater price advantage and deploy more efficient management of the supplier base.

Procurement Services Team [Website](http://www.exeter.ac.uk/finance/procurement/)

1.3 Identifying Procurement Expertise

One or more ‘Procurement Partners’ should be identified for each College to facilitate progress and improve communication. In a number of colleges and services officers responsible for procurement have been identified and work closely with the Procurement Team. Procurement Partners may have a range of procurement /purchasing experience/training and will be able to I offer advice a wide range of procurement issues including planning, purchasing, whole life costing and contract management. Ongoing liaison with Procurement Services should ensure a more consistent approach.

1.4 Legal Implications for Procurement

Public procurement law (governed by both English and enforceable EU Procurement Directives) regulates the purchasing by public sector bodies in respect of contracts for goods, works or services. For larger purchases (above the EU threshold – *see later in this manual*), the law is designed to open up the EU's public procurement market to competition, to prevent "buy national" policies and to promote the free movement of goods and services.

Previously, there were three separate regulations in the UK which applied depending upon whether goods, works or services were being procured. In England, Wales and Northern Ireland, these three sets of rules were brought together in one piece of consolidated legislation, the Public Contracts Regulations 2006 which came into force on 31 January 2006.

The Regulations generally apply when three main pre-conditions are met: the procuring body is a "contracting authority" as defined in the rules (including Universities); the contract is a public works, services or supplies contract; the estimated value of the contract (net of VAT) equals or exceeds the relevant financial threshold. The rules expressly prohibit deliberately splitting contracts to bring them below the thresholds (see rules on ‘aggregation’ at Section 1.7.1 and ‘thresholds’ at [Section 3.2](#Section3)).

At any value (both above and below the threshold) the award of a contract must consider the fundamental principles of the EU regulations to ensure:

* equal treatment
* non-discrimination
* mutual recognition
* proportionality
* transparency

This is to prevent challenge and protect the University (and its officers) against challenge

1.5 Procurement Strategy 2011-2013

Where to find the [Procurement Strategy](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementstrategy/)

Procurement has an overall responsibility to facilitate the delivery of savings and efficiencies through good procurement practice across the University; whilst mitigating operational commercial and compliance risk. This Strategy is aligned to the University Strategic Plan and is consistent with the goal of driving efficiencies in the Higher Education Sector.

Working together to progress the University’s strategic goals through the development and promotion of efficient and effective procurement policies and processes throughout the University - with due consideration for environmental and sustainability issues - is a fundamental objective. The aim is to facilitate/encourage best value and cost effectiveness in support of schools’ and services’ own aims and objectives.

University’s [Strategic Plan](http://www.exeter.ac.uk/about/vision/strategicplan/)

1.6 Responsibilities of Schools/Services and Procurement Services

Responsibility for compliant procurement is a responsibility of all staff working at the University involved in purchasing goods, services and/or works.

Shared working to support these responsibilities is currently under review with the development of ‘Procurement Partners’ (see above). This initiative will build on the existing links between the Procurement Service and college/services to skill and enable efficient and compliant processes.

If in doubt go to the ‘[Contact Us’](http://www.exeter.ac.uk/finance/procurement/contactus/) link

1.7 Deciding How to Proceed

Once a potential procurement has been identified it is important to decide the most appropriate, feasible route for meeting the requirement(s).

An important element of this stage is checking if a contract (with corresponding existing suppliers) is in place for provision of your requirement. The Procurement Team may already have previously tendered arrangements in place which will meet your requirements without the need for tender or quotation.

[Further information](http://www.exeter.ac.uk/finance/suppliers/search/) – which suppliers to use

There may also be a framework agreement (see [Section 3](#Section3) below) in were you will be able to call off your requirements in a compliant and effective way. If no existing arrangements exist ‘[Section 3’](#Section3) provides more information on how to proceed. Here you will find a number of flowcharts that will guide you which process is best for the nature and value of your work.

For more complex and higher value procurements/projects it is crucial to consider a more detailed ‘options appraisal’ outlined in the next section. The correct application of EU Procurement Directives is imperative – more information can be found in [Section Five](#Section5).

![Useful further information](http://www.exeter.ac.uk/recordsmanagement/records/guidance/) – Keeping Records

BUSINESS CASE

[Section 2.3)

Procurement Decision Matrix

OPTIONS APPRAISAL

[Section 2.4]

**Are there existing contracts/ frameworks that meet your needs? Check with Procurement Team**

**Obtain information of the contract/framework agreement and determine whether you can use it**

**Yes**

**Y**

**E**

**S**

**NO**

**Not Useable**

**Consider appropriate procurement route outlined in the Procurement Manual. Discuss with Procurement Team**

**Utilise appropriate contract/ framework agreement in accordance with its conditions of use.**

NB: You will still need to take the appropriate steps to ensure you use the contract/framework properly

*1.7.1 What are Aggregation Rules?*

Under EU Procurement Directives’ aggregation rules, the University has to add together the value of similar contracts to come up with an “aggregated” value. For example you cannot tender for pens, pencils, paperclips separately to eliminate the need for an EU process by reducing the aggregate threshold. Rather you will need to consider these together as a joint requirement for stationary. This is often gauged by the ability of suppliers to provide all items.

If the total stationary requirements then exceed the EU threshold then the University will be required to carry out‘EU’ procurement.

In essence, in determining whether the threshold is likely to be reached, you must aggregate the estimated value of all anticipated separate contracts for goods or services of the same type which meet the requirement.

Aggregate values may be calculated by one of the following methods:

* the estimated value of separate contracts for meeting a single requirement; or
* the total value of goods and services purchased during the last financial year; or
* the estimated total value of all contracts/orders expected to be placed in the next financial year, or during the term of the contract if that is longer; or
* where contracts have no definite duration, calculate by the monthly value

Please refer to [5.2.6](#Section5) later in this manual

NB: The Regulations explicitly say that a contracting authority should not enter into separate contracts or exercise a choice under a valuation method with the intention of avoiding the application of the Regulations.

1.8 Confidentiality at All Times

All information provided by suppliers should be treated as confidential. Information on prices tendered or innovative proposals could provide a commercial advantage for competitors and must never be used for personal gain. Leaks of such information could undermine the University’s position when tendering and/or could be politically sensitive. For this reason officers must ensure that they maintain all commercial information (including Tenders and Quotations) securely to minimise the opportunity of unauthorised access.

1.9 Where to get Procurement Training

All personnel involved in the procurement of goods and services (either through grant application, administration or general ordering\finance) must attend the relevant training below. New starters\joiners should attend at least the introductory or ELE course. Details of the courses are available on iTrent as follows:

Details of [Procurement Training](http://www.exeter.ac.uk/finance/procurement/systemsandprojects/procurementtraining/) available

Training for Academics and Researchers -

<http://www.exeter.ac.uk/staff/development/courses/coursedetail/?code=30116>

ELE (self-managed, electronic learning): Enrolment by application to [procurement@exeter.ac.uk](mailto:procurement@exeter.ac.uk)

***Key Points to Remember!***

**Section Two: Defining What You Want**

***Aims:*** To establish the pre-planning stages/ processes to enable a robust and thorough procurement:

[Back to Contents](#Contents)

**Section Two: Defining What You Want**

2.1 Steps Prior to Purchasing

[Back to Contents](#Contents)

In keeping with Section 1.7 [Deciding How to Proceed](#Section1), once a potential procurement has been identified it is important to check there are no existing arrangements that you can use. If there are none you will need to decide what to do next; but before that (particularly for more complex/high value purchases) you may want to consider preemptive steps that will help shape the process.

Please refer to [Appendix 4](#App4) Steps Prior to Purchasing

[Appendix 4](#App4) is an illustrative document meant to show the steps that may prove useful. The steps will vary; depending on the nature, complexity and value of the purchase. In most cases purchases will be through an agreed simpler route (quotation, spot purchase). However; many factors must be taken into consideration before purchasing or contracting for any goods, services or works – especially for more complex procurements. It is your responsibility to ensure that you have identified and considered all of the relevant issues.

Although [Appendix 4](#App4) provides some useful the steps, you should note that this is not a comprehensive list. You may use some or all of the steps depending on your purchase. It may be useful to adopt at least some steps for each purchase.

2.2 Planning Your Project

Like many aspects of work, getting the planning correct will help the whole process go smoother, minimizing mistakes, reducing duplication of effort and making the experience more satisfying. In procurement terms, the planning process falls into the following main areas.

Depending upon the value and the complexity of the proposed requirement, it may be appropriate to carry out an [option appraisal](http://www.felp.ac.uk/content/option-appraisal) (followed by a Business case) to help explore possible solutions before deciding on the best way forward. The option appraisal could explore not only different funding options but also alternative way of actually providing the requirement.

It is important to determine who should be involved in the project team to manage the exercise. The number of people involved will depend on the nature, value and complexity of the requirement.  For example, if it is for the replacement of the institution’s, or consortia’s, stationery contract, then input from a number of the major user departments will be useful do gain an insight into the successes and weaknesses of the current contract and to have user-support for the new one.

Set up a timetable agreeing dates by which certain aspects of work will be completed, for example, the [drafting of the specification](http://www.felp.ac.uk/content/producing-specification), return of tender/quote documents

Later on in this manual you will learn about strict prescribed planning /actions in relation to EU Procurements (Section 5) including requirements to abide by definitive timescales, and rules around supplier selection, contract award criteria and evaluations

In essence, project management is the management and delivery of projects to satisfy the expectations of stakeholders, whilst meeting requirements with regard to time, cost and quality. As such it must be considered carefully at the planning stages. A project is usually defined as a set of related activities which, when completed, deliver specific products, services or benefits. It is different from day to day service delivery in that it is discrete, having a defined start and end point).

Strategic Management & Change - [Prince 2 training](http://www.exeter.ac.uk/spc/changeteam/training/)

The University has adopted the PRINCE II project management methodology and this chapter is intended to supplement the processes defined within that system and outline the principles of project management techniques which can be deployed to affect greater control in achieving success within the project.

2.3 Putting together a Business Case

The Business Case is a working document used to manage a project. It is owned by the Project Lead but should be developed with your identified, key stakeholders. It is used to obtain management commitment and approval for investment in a project or procurement and it provides a structure for decision-making in the planning and management of that procurement. The Business Case should link the outcomes of the project to the University’s overall objectives.

Please refer to [Appendix 3](#App3) : preparing a Business Case

**Five key components of the Full Business Case**

|  |  |  |
| --- | --- | --- |
| **Perspective** | **What needs to be included** | **Who provides specialist input** |
| Strategic fit | Business need and contribution to the service plan / strategy | Senior managers, policy makers, business analysts, technical experts |
| Options appraisal | Value for money, options, costs, benefits, risks, dependencies, testing new markets | Finance, service managers, procurement / specialist advisers |
| Achievability | Internal capability, skills and resource; assessment of departmental/supplier capability and understanding of the project; implementation plan | HR, project manager, project team, procurement / specialist advisers |
| Commercial aspects | Marketability, commercially sound approach to the potential deal, robust procurement strategy | Service managers, Procurement / specialist advisers, HR |
| Affordability | Availability of funding | Finance, service managers, Project Sponsor |

A good Business Case is maintained throughout the project and is referred to at key decision points to ensure that the project continues to reflect your strategic needs and that the key objectives and benefits have been realised.

For major procurements, an outline Business Case can be produced and following the feasibility stage and options appraisal, the full business case will be developed.

2.4 Options Appraisal

Options Appraisal is a detailed assessment of the options for delivering a project or Contract to determine the most suitable approach. Once the potential business need has been identified and the outline business case has been agreed / endorsed, an Options Appraisal can identify the most appropriate, feasible route for meeting that requirement.

Example options for meeting your identified business need that may apply:

|  |  |
| --- | --- |
| **Option** | **Description** |
| 1 | Cessation of the service – in whole or in part |
| 2 | Public / private partnership, through a strategic Contract or Joint Venture Company |
| 3 | Transfer or externalization to another provider |
| 4 | Market testing all or part of the service |
| 5 | Restructuring or repositioning of the in-house service |
| 6 | Joint commissioning or delivery of the service |
| 6a | Join with University/Group of Universities – deliver jointly |
| 6b | Join with University/Group of Universities – commission work from a third party |
| 7 | Set up a new function / unit internally to deliver specific service |
| 8 | Call off Contracts / term Contracts / framework agreements |
| 9 | Transfer some or all responsibilities to a ‘not-for-profit’ organisation |

There will be a number of possible options for the delivery of any requirement. These will vary with the type, size and complexity of the requirement and the thinking might include options to:

* provide the required benefits
* reduce demands on in-house resources e.g. procurement, management
* meet requirements within a particular timescale
* reduce costs
* provide innovation
* generate income
* provide access to external investment
* improve performance in a particular area
* impact negatively/positively on other areas of the University’s work

*2.4.1 Evaluating the Options*

Examples of the types of assessment criteria that might be used to identify the most appropriate approach could include:

* Certainty of whole-life costs
* Ability to provide the project within critical time restraints
* Level of disruption to project flow
* Opportunity for disputes and associated costs of having more than one supplier

Seek out the relevant [staff training](http://www.exeter.ac.uk/staff/development/)

* Attractiveness of the approach to the market
* The ability of the market and the University to support the size/complexity of project
* Degree of control the client requires during delivery

2.5 Supplier Appraisal

Supplier appraisal is the evaluation and monitoring of supplier capability to ensure successful delivery of commercial outcomes. It is an essential part of strategic sourcing, supplier management and securing competitive advantage. It is best considered in two phases, pre-Contract and post-Contract – often referred to as Contract management (see Section 8).

The main reason for using supplier appraisal is to avoid appointing a supplier only to discover at a later date issues that mean the supplier does not perform well enough or could cause major problems. This is especially true where such issues could have been identified before appointment. Conducting checks – or due diligence – on your potential supplier does not guarantee there won’t be any future problems, but it will help reduce the chance of them arising.

Unknown suppliers pose a significantly higher risk. Although they may turn out to be much better than first thought, they could also be a lot worse. Choosing the wrong supplier can lead to:

* Excessive or unexpected price increases;
* Delays in provision;
* An inability to provide the right standard of services;
* Having little influence with the supplier because they have more important customers that they prioritize;
* A supplier being too large or too small for the services you need, which can mean it is out of sync with your organizational culture;
* Problems as a result of communication or cultural differences if the supplier is based in, or provides goods and/or services from, territories far from where you are based.

*2.5.1 When to appraise*

Not all suppliers will need to go through a full appraisal process, particularly where the goods and services provided are ad hoc, short term, low value, can be cancelled quickly and cheaply or are easily replaceable. Such an appraisal process is usually used if any, or a combination of, the following contract conditions exist:

* High value;
* Highly complex;

See ‘Good Practice Guide 3: [Supplier Appraisal](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/)’

* Long term;
* Business critical;
* Likely to affect reputation;
* International in nature;
* It would be difficult to change suppliers;
* The market has a limited number of suppliers

2.6 Drawing up a Specification

Drafting a specification for whatever is required is one of the most important tasks in the procurement process. The specification must give potential suppliers enough information to know what it is needed. However; it cannot be too prescriptive or target a particular brand or product. There is no pre-determined length for a specification it may be:

* simply a few words [e.g. boxes (of 100) 25mm paperclips], or;
* run to many pages and contain technical drawings etc [e.g. the specification for the design of a new building].

There are a number of simple rules to remember when drafting a specification.

* Write it as an output specification.  Describe what you want the goods/services to do.
* Don't use brand names to describe a product.
* Don't use vague words -think about what the words mean and whether the reader will understand their context.
* Don't use jargon which should be avoided if at all possible.
* Don’t use acronyms which are not commonly known.

If you are starting to draft a specification it may be worth checking to see if something similar already exists.  If it does, use the document as a starting point, think about each aspect of the description and challenge it.  Ask yourself:

* Is the element relevant to my needs?
* Does it describe what is required?
* What words need to be changed, removed etc.?

*Most procurement requirements are simple and straightforward and do not require complex specifications so as a rule, keep the specification as straightforward and simple as possible.*

You should find that it is easier to modify an existing specification (assuming it is relevant) than to start from scratch. When you are ready to issue your tender documentation, consider placing the new or revised specification document somewhere where others may benefit from your work as you did from someone else's. The specification and supporting documents must be prepared with care as they will form part of the Contract and will provide the basis of the relationship with the supplier.

The specification, then, is a core part of the documentation as it defines what the procurer wishes to buy and what is expected from the supplier. It provides project specific information to supplement standard conditions of contract and it is important that it is accurate, complete and unambiguous.

The specification must provide equal opportunity for all potential suppliers to offer a product or service which meets the University’s requirements. Often end-users may wish to favour one supplier or solution but such an approach is likely to reduce the University’s ability to achieve value for money and is likely to be illegal. Likewise allowing the market to dictate a solution before the need has been defined, raises the risk of discriminating against a supplier.

Useful [toolkit](http://www.felp.ac.uk/content/producing-specification): Specification Writing

Development of the specification will be an ongoing process involving key stakeholders and market information. Specifications must clearly state the outputs the University requires from the project but invite suppliers to use their own experience to propose the best inputs to deliver that requirement. The specification should address issues up to exit from the Contract.

When preparing the specification, attention should be given to how the contract will be managed and monitored once awarded. Standard terms and conditions should be agreed and included in the invitation documentation.

The [University’s T&Cs](http://www.exeter.ac.uk/finance/procurement/buying/termsandconditions/) explained

The type of information to set out in a specification will include:

* Background – why the project is required, the structure of the University, the users
* Scope of the requirement - including exemptions
* Relevant European or British Standards
* Interdependencies with other projects/systems/facilities already in place or under consideration in the University
* Future plans/flexibilities which may affect how the Contract is delivered
* The criteria for acceptance - e.g. testing, piloting, documentation
* Constraints e.g. access times, environmental, space for installation
* Detailed requirements expressed, as far as possible, in output terms
* Timescales - including any milestones such as draft report
* Security and fraud issues not covered in the Conditions of Contract
* Health and safety issues
* Performance measures
* Management process – frequency of meetings, who will meet, reports required, dealing with requests for change/variations
* Dispute resolution
* Incentives to promote ongoing performance improvement e.g. milestone payments, sharing of savings
* Environmental issues

**NB:** Goods and services must be described in a way that contains the information necessary and sufficient to ensure that the correct item is purchased. There must be room for competition by avoiding references to an individual manufacturer's product.  For example, rather than asking for 10 x tins of Heinz Baked Beans, the requirement could be for 10 x tins of baked beans in tomato sauce.  The suppliers will then submit prices for various brands and a decision made based on award criteria that consider a combination of the prices and quality of the products offered.

2.7 Stakeholders

Stakeholders relevant to the project in hand must be involved in the development of the specification and must agree to the contents of the final version. Variations to a specification following award of Contract may be expensive and may adversely affect the timescales of the project. Key stakeholders could include:

* End-users
* Residents representatives

[Putting Structures in Place](http://www.felp.ac.uk/content/step-3-putting-structures-place)

* Project and Contract manager
* Budget holder
* Technical consultants

A stakeholder will vary from project to project but is likely to comprise similar people. Working closely with experienced professionals will help achieve objectives. Backed by the right people and the necessary information, a procurement strategy can be formulated to ensure compliance and mitigate risk

2.8 Setting Award Criteria

Value for Money (see next section) is more than just a price-based judgment. It is important, therefore, that in the evaluation of offers a raft of criteria is used to assist in the comparative quantification of bids. The individual issues, and weighting of each, will vary according to the nature of the purchase but will frequently include a variety of maintenance and servicing, guarantee periods and disposal costs as well as the initial capital outlay and payment scheduling.

Guide to [Supplier Selection Criteria](http://www.felp.ac.uk/content/supplier-selection-criteria)

2.9 Value For Money

Value for money (VFM) is not about achieving the lowest price. It is about achieving the optimum combination of whole life costs and quality. Traditionally VFM was thought of as getting the right quality, in the right quantity, at the right time, from the right supplier at the right price.  This concept has been updated to - obtaining better quality of goods or services in more suitable quantities, just in time when needed, from better suppliers at prices that continue to improve.

It is also often described in terms of the ‘three Es’ – economy, efficiency and effectiveness:

* **economy** – minimizing the cost of resources for an activity (‘doing things at a low price’);
* **efficiency** – performing tasks with reasonable effort (‘doing things the right way’);
* **effectiveness** – the extent to which objectives are met (‘doing the right things’)**.**

To help achieve VFM, goods and services should be acquired by [competition](http://www.felp.ac.uk/content/competition) unless there are convincing reasons not to do so.  The form of competition should be appropriate to the complexity of the procurement and barriers to the participation of suppliers should be removed.  In practice, the level of competition is indicated by the estimated value of the proposed procurement.

Although low value Contracts might not be subject to full business case, advertising or tendering processes, the requirement to obtain the best value for money for the university still applies and may be subject to audit inspection. This is particularly so if funding is derived from grant money. All procurements must be carried out with regard to achieving best value for money within ethical boundaries.

The ability to obtain VFM will frequently be enhanced by sound planning and pre-tender discussions with the market to ensure that potential suppliers are fully aware of the requirement and that the specification reflects what is available in the most cost-effective manner.

Remember that care must be taken to ensure that all companies are treated equitably and that the competitive process is not distorted (see also [Section 7.2.2](#Section7) below).

*2.9.1 Challenging the Requirement*

All procurements regardless of value must represent value for money for the University. Those involved in procurement should ask the following questions.

* Is the purchase necessary?
* Will a similar purchase be required in the future? Procurers should aim to minimise the resources used to purchase items and to achieve bulk discounts where possible. The purchases should be combined if this offers the University improved value for money.
* Will a future similar purchase be required? If so, the rules for procurements regarding aggregation should be followed unless there is a clear value for money reason for not aggregating the requirement. (see Section [1.7.1](#Section1)).
* Is the purchase receiving the correct level of priority? Procurers should consider if other purchases are more urgent and if a restricted budget would be better spent elsewhere.
* Is this the right time to make the purchase?

2.10 Considering Environmental Issues

It is recommended that at the beginning of a tender exercise consideration be given to identifying environmental dimensions that are relevant to the requirement. It may be that your purchase will have specific outputs relating to a range of environmental issues.

The University spends over £55 million on non-pay items each year.  Consequently there is a tremendous opportunity to reduce our impact on the environment through the products we select and to influence our customers and suppliers to improve their sustainability.

The Sustainable Procurement Policy applies to all University members of staff involved in the procurement of goods and services and it particularly serves as a reminder to consider sustainability as a factor in all procurement decisions. Procurement Services will strive for good value in all its acquisitions, which includes life-cycle costing, of which sustainability is a part and will strive to apply these guidelines where practicable.

[Procurement Sustainability Policy](http://www.exeter.ac.uk/media/universityofexeter/campusservices/sustainability/pdf/Sustainable_Procurement_Policy.pdf)

University members of staff should support sustainable procurement by:

* Questioning the need for new items. (Do we really need it? Could we use fewer? Can it be borrowed, shared, rented or the need satisfied in another way?);
* Drafting specifications that allow recycled, used or innovative items to be acquired, or checking existing specifications are functional and not over-specified;
* Operating and disposing of products in an environmentally responsible way, including finding alternative applications or owners;
* Applying life-cycle costing in all procurement decisions;
* Seeking advice from Procurement Services, the Sustainability Adviser (B&E) or the Enterprise Systems Officer (Academic Services Infrastructure Group).

2.11 Whole Life Costing (WLC)

You have a responsibility to achieve the best value for money possible for the University. VFM is increasingly defined as the “optimum combination of whole-life costs and quality which meet the University’s requirements”. It is identified through an evaluation of the total cost of a proposed asset or service and how well it meets the University’s defined requirements. It is very important therefore for all those purchasing to be aware of the principles of whole life costing and to apply these.

Information about the [University’s Environmental](http://www.exeter.ac.uk/sustainability/policy/) Sustainability Policy

[Sustainable Procurement](http://www.exeter.ac.uk/finance/procurement/buying/sustainableprocurement/) advice

The purpose of Whole Life Costing (WLC) is to identify the total cost of procurement. The concept is generally associated with the acquisition of long-term assets which have an on-going maintenance requirement. However, the concept is useful to help identify the most cost-effective option on smaller projects, including service contracts.

If only the initial purchase price is taken into consideration there is a risk that the procurement will cost the University more than has been budgeted for, and future budget pressures may arise. Furthermore, it may undermine the procurement exercise when an option that is not as cost effective overall is selected - but longer term costs are not identified and considered. On larger procurement projects the implications could be serious and costly to the University.

WLC forms part of our sustainable [procurement policy](http://www.exeter.ac.uk/finance/procurement/buying/sustainableprocurement/)

Indicative whole life costs for the project must be identified at the business case stage. This should be further developed as part of the options appraisal.

WLC include every cost and commitment associated with the procurement and delivery of the service or product. For example, the University is proposing to purchase a photocopier; there are two types that meet the full specification that has been prepared. The expected life of the copier is 5 years. In identifying the costs, consideration has been given to the follow headings:

**Key Whole Life Costs – Procurement example of a photocopier**

|  |  |
| --- | --- |
| Acquisition Costs | Initial costs, transportation, installation, spares, supervision, training and associated overheads |
| Operational Costs | supervision, operator wages, other on-costs, energy, materials, insurance |
| Maintenance Cost | maintenance agreements, spares / storage, maintenance materials and associated overheads. |
| Disposal Cost | Cost of depreciation (including allowance for inflation), estimated disposal value (this could be negative or positive). |

For service contracts, the main hidden costs will be overheads and management costs (including contract management and monitoring). These are frequently overlooked when ‘costing’ a contract.

Capital schemes will require much more detailed whole life costing exercises as specialist support will likely be required, e.g. for a building this would include costs such as the initial capital cost, fit-out, maintenance, rental income and demolition/sale

Advice relating to [WLC](http://www.exeter.ac.uk/finance/procurement/buying/sustainableprocurement/wholelifecost/)

**NB:** The cost of conducting the procurement exercise itself is also an important consideration and includes:

* The time and effort involved in managing the contracting process, from both the buyer’s viewpoint and that of the supplier. In this latter respect, if the demands on suppliers are too great when measured against the likely contract value, or the scale of competition offers only a small chance of success, it is likely that many suppliers will decline to tender. Alternatively, they will load their prices to recoup their costs, including those associated with previously unsuccessful bids;
* The transactional elements of the process, particularly those linked with requisitioning, ordering and bill payment.

You may also come across a similar concept called Total Cost of Ownership (TCO) is a methodology and philosophy that, in addition to the price of a purchase, incorporates other purchase-related costs. TCO shares similarities with WLC espousing three principles:

* cost must be examined from a long-term perspective and should consider elements beyond initial purchase price;
* managers ought to consider the impact of other business functions on the valuation of a specific purchase;
* accurate purchase valuation requires that managers understand and measure the cost impact of all the activities related to the purchase.

2.12 Risk Management

Managing the University’s the effective management of risk is a key component of good governance, and the University is required to demonstrate to HEFCE (the Higher Education Funding Council for England) that we have in place effective procedures for managing risk at all levels.

See Supporting Information 1 “[Risk Management and Handling Changes](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/)”

When starting a procurement exercise, it is necessary to make an assessment of risks that may arise during the exercise. Factors such as the value, political profile and the importance of the proposed procurement will determine the potential for risk and indicate the time and effort to be used in completing an assessment. Best practice confirme that risk should be assessed at all stages of the procurement cycle ([Section 1.1.1](#Section1)).

For example, minimal risk assessment will be given to the replenishment of stock items and the challenge function of what is needed will usually suffice. However, the larger the requirement, the more detailed consideration should be given to potential risks. Potential risks that should be considered include:

* the procurement exceeds allocated budget
* the goods/services are not delivered on time
* the goods/services selected do not meet the users' expectations
* there is a technology shift between the procurement selection and delivery
* there is a change in the strategic direction of the institution/department

Assessing potential risk is not easy but being able to understand what could go wrong on a project might be the difference between survival and failure. Managers need to find a balance between quick wins, such as reducing costs and generating cash, and long-term aspiration for growth. A risk management strategy is, therefore, essential to any project.

It is good practice to only accept a risk if you are in full control of it and can influence any corrective actions. By simply pricing in a sum of money to cover the risk you may protect the bottom line, but this will not stop adverse publicity and potential reputational damage. If senior management wants to own a risk, it is essential that this is based on an informed decision where all the implications of doing so have been clearly articulated by the Contract Manager and other key members of the team.Heads Colleges and Senior Managers must ensure that risks in their operating environments are identified, assessed and monitored.

2.13 Managing the Contract – Setting KPIs in advance

Key Performance indicators (KPIs) are financial and non-financial measures to help evaluate the progress of a project toward its goals. Usually the KPIs are identified and validated by stakeholders at the beginning of the procurement - during the planning stage. Put simply, KPIs are quantifiable measurements, agreed to beforehand, that reflect the critical success factors (of the school, department, project).

At an early stage consideration must be given to adopting the procurement approach that offers the b VFM for the University. Consideration should be given to how VFM can be measured once the Contract is in place (Section 2.9 above). Effective performance monitoring is part of the contract management process and needs to be included in the Contract specification ([see 8.1](#Section8)).

*2.12.1 Building Supplier relationships*

It is good practice to ensure supplier relationships are intrinsic to the contractual agreement. By doing so, each party is clear on their responsibilities and will strive to ensure that the emphasis on managing the relationship effectively does not fade over time and will ensure ongoing target reaching and reviewing. A simple governance model should cover areas including:

* Key responsibilities in the relationship;
* Who is responsible for sponsoring the relationship on behalf of each party;
* Who is responsible for monitoring operational performance;
* Who will manage the commercial aspects;
* How these responsibilities are delegated – for example, in a national agreement, there may be representatives at regional and national levels and their remit must be clearly defined;

Guidance on the university’s approach to [risk management](http://www.exeter.ac.uk/spc/stratplan/riskmanagement/) at the university

* Frequency of meetings (e.g., annual, quarterly, monthly), including attendees and agenda items for each;
* Escalation plan, which includes named individuals and details a timescale for such escalation.

Adhering to some basic principles can ensure that respect is maintained on both sides – to the benefit of the contract.

Pointers to effective dealings with suppliers

***Key Points to Remember!***

**

[Back to Contents](#Contents)

**Section Three: Procuring Goods, Services & Works**

***Aims:*** To establish the pre-planning stages/ processes to enable a robust and thorough procurement:

**Section Three: Procuring Goods, Services & Works**

3.1 Procurement Processes/Flowcharts

[Back to Contents](#Contents)

The University acquires goods, services and works across a spectrum of value, from stationery to eight-figure construction projects. As the value of an acquisition increases, its complexity and risk tends to increase. There are four procurement processes to cover this spectrum of activity. The procurement cycle outlines the basic stages of procurement from identifying the need to completing the purchase or contract ([Section 1.1.1](#Section1))

See the [flowcharts](http://www.exeter.ac.uk/finance/procurement/buying/) on the procurement pages

There are a number of flowcharts that set out the key stages in the procurement process for each level of spend from under £5,000 (excl. VAT) to the EU threshold (excl. VAT) and above.  As the level of spend increases, the procurement process becomes more detailed.  Note that you must keep records of your procurement activity to provide an audit trail.  These procedures are also applicable to the acquisition of research equipment.

Colleges and Services must competitively tender their requirements for goods, services and works when they are needed…but are advised to seek advice from the Procurement Team whenever needed.

*3.1.1 Key Tender Documents*

Various documents have been set up by Procurement Services to be used to invite competitive tenders from prospective suppliers for goods and services and are applicable to the acquisition of research equipment and associated services.

Procurement Services Team [Website](http://www.exeter.ac.uk/finance/procurement/)

***Note*** that goods and services acquired through Contracts or framework agreements established by other bodies (i.e. [SUPC](http://purchasing.uk-plc.net/BuyerDotNet2/index.aspx?Contracts=1), [OGC](http://gps.cabinetoffice.gov.uk/i-am-buyer/find-a-product-or-service) etc see section [1.7](#Section1)) will be governed by the terms and conditions applicable to the specific agreement.  If you invite firms to submit mini-tenders (call-offs) under framework agreements, you are bound by rules under that agreement as well as EU Procurement Directives so please ask for advice from Procurement Services.

3.2 Current Applicable Thresholds

The University sets out how a value of a potential purchase dictates the procurement procedure as follows:

See the [thresholds](http://www.exeter.ac.uk/finance/procurement/buying/) on the procurement pages

Spend on goods, services and works above the current EU threshold (excluding VAT) must, by law, be acquired by competition through an EU tendering procedure. Ask Procurement Services for advice about procurement strategy, its implementation, and using alternative EU tender procedures ([Section 5](#Section5)).

There is no permitted derogation from Financial Regulations in respect of Works contracts for construction (e.g. buildings/refurbishments) and specialist consultancy services (around building works) including project management, architects and market research etc.  Ask Procurement Services for advice about procurement strategy, its implementation, and using alternative EU tender procedures. In many case effective frameworks exist for such Works’ projects.

3.3 Use of Consultants

You should be careful when appointing consultants – whether high or low value – as such ad hoc/piecemeal appointments may go under the radar. For example, the consideration of aggregation ([Section 1.7.1](#Section1)) - as additional costs creep into a project and fees escalate. Such consultancy arrangements are usually services for the purposes of EU thresholds and must have due regard to the threshold tendering reguirements out in Section 3.2 above).

It is usual for there to be a clear Options Appraisal/Business Case (see [2.3/4](#Section2)) for the use of consultants – no matter what value - as costs can escalate as the project scope grows. A number of consultants doing similar work for different Colleges/Services may mean aggregation becomes a factor.

Planned consultancy arrangements (across the University) will afford better leverage to attract better prices (through economies of scale) and qualatitive input (through consistent partnerships).

3.4 In-Tend: Web-Enabled Tendering (e-Tendering)

In-Tend is a web-based eSourcing Management System that allows the University to manage its tenders and quotes (as well as e-auctions). It also has a contract management module. The system consists of 3 distinct modules:

[What suppliers see](https://in-tendhost.co.uk/universityofexeter/aspx/Home) when entering in-Tend

* E-Tendering;
* Contract Management; &
* Active Bidding (eAuction).

You should take advantage of the business benefits of using this electronic tendering, which include:

* Reduced tender cycle-time;
* Fast and accurate pre-qualification and evaluation, which enables the automatic rejection of suppliers that fail to meet the tender specification

Further information about [in-Tend](http://www.exeter.ac.uk/finance/procurement/systemsandprojects/in-tend/)

* Faster response to questions and points of clarification during the tender period ;
* Reduction in the labour intensive tasks of receipt, recording and distribution of tender submissions;
* Reduction of the paper trail on tendering exercises, reducing costs to both councils and suppliers;
* Improved audit trail increasing integrity and transparency of the tendering process;
* Improved quality of tender specification and supplier response;
* Provision of quality management information;

Manual tender processes can be long and cumbersome which is costly for both buyer and supplier organisations – e-Tendering replaces these manual paper-based tender processes with electronically facilitated processes, based on best tendering practices, to save time and money.

Using In-Tend will enable you to manage the tenders/quotes coming in, with all documents stored in one place. You can cut and paste data from the electronic tender documents for easy comparison in a spreadsheet.

Suppliers' costs in responding to Invitations to Tender (ITT) are also reduced as the tender process cycle is significantly shortened.

E-Tendering offers an opportunity for automating most of the tendering process: from help with preparing the tender specification; advertising; tender aggregation; to the evaluation and placing of the contract.

These benefits underpin transparency and electronic, auditable storage of contract documents. If anyone is interested in taking advantage of In-Tend please contact the Procurement Team ([procurement@exetr.ac.uk](mailto:procurement@exetr.ac.uk)).

3.5 Finding the right EU procurement route

For those procurements above the EU threshold, there are seven *award* procedures provided for in the Regulations:

* Open Procedure
* Restricted Procedure,
* Competitive Dialogue Procedure,
* Negotiated Procedure
* Dynamic Purchasing
* Framework Agreement
* Electronic Auctions

Public authorities, like the University, decide which procedure best suits the requirements of the project – more details about EU procedures (for these higher value procurements) can be found at [Section 5.2](#Section5). For all EU value projects/procurements you must contact the Procurement Team for advice and support.

Procurement Team ‘[Contact Us’](http://www.exeter.ac.uk/finance/procurement/contactus/) link

***Key Points to Remember!***

**

[Back to Contents](#Contents)

**Section Four: Placing Your Order**

To provide practical advice on purchasing goods/supplies/works and offer options for purchasing

**Section Four: Placing Your Orders**

[Back to Contents](#Contents)

4.1 Financial Regulations

Placing an order is one of the common interfaces developed by the University and its suppliers - when you will deal commercially/contractually with external organisations (suppliers); and when the application of the Financial Regulations will come under scrutiny. You must make yourself familiar with the Financial Regulations to maintain and improve the reputation and consistency relating to external transactions. A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the University’s disciplinary policy.

Understanding procurement (and the procurement cycle) will help you value and take responsibility for placing orders effectively/securely.

Financial Regulations translate into practical guidance the University’s broad policies relating to financial control. It applies to the University and all its subsidiary undertakings (see also [Introduction](#Section1) at [Section 1](#Section1)). Compliance with the Financial Regulations is compulsory for all staff connected with the University.

The University’s [Financial Regulations](http://www.exeter.ac.uk/finance/policies/)

The purpose of these Financial Regulations is also to provide control over the totality of the University’s resources and provide management with assurances that the resources are being properly applied for the achievement of the University’s strategic plan and business objectives including:

* financial viability
* achieving value for money
* fulfilling its responsibility for the provision of effective financial controls over the use of public funds
* ensuring that the University complies with all relevant legislation
* safeguarding the assets of the University
* It is the responsibility of Heads of Colleges and other budget holders to ensure that their personnel are made aware of the existence and content of the University’s Financial Regulations.

Financial Regulations relating to [Procurement](http://www.exeter.ac.uk/finance/policies/regulations/expenditure/procurement/)

4.2 New Suppliers

A Purchase Order (PO) or a purchasing card transaction (where appropriate) must be used to order goods and services. This is required by Financial Regulations to protect the University from supplier error, fraud and budget overspending, and also to protect the University with its inherent conditions of contract.

Key things to remember when you are buying goods or services (see [also Section 1.7: Matrix](#Section1)):

Earlier this Manual insists that utilizing the University’s [existing contracted supplier](http://www.exeter.ac.uk/finance/suppliers/search/) remains the most compliant, safe and risk-free option (see [also Section 1.7: Matrix](#Section1)).

**NB:** [Purchasing cards](http://www.exeter.ac.uk/finance/procurement/buying/purchasingcards/) should be used with caution so as not to jeopardise the principles of the Financial Regulations and the rules in accepting responsibility for using such cards.

You may be able to pre-empt the need for setting up a new supplier by choosing one already on the General Ledger. Choosing a [local supplier](http://www.exeterandeastdevonportal.co.uk/) is often seen as an opportunity for such businesses and to encourage the local economy.

Download the [Parabilis suppliers list](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/excelldocs/E-Proc_supplier_-list.xlsx).

*4.2.1 New Supplier Application Form*

If none of these options are available, request a (new, reinstated or temporary) supplier using a [New Supplier Application Form](http://www.exeter.ac.uk/finance/procurement/buying/forms/).  You may find that you do not have access to this form – those wishing to use the form should register for the short training at [procurement.services@exeter.ac.uk](mailto:procurement.services@exeter.ac.uk) . To access the form you must have completed the New Supplier Workshop bookable via Learning and Development. However; there is ['Guidance'](http://www.exeter.ac.uk/finance/procurement/buying/forms/) to help you complete this form in a compliant manner (see also [Section 1.9](#Section1) re training relating to the *New Supplier Application Form).*

**NB:** If a supplier is an individual requesting payment/fee for work done it must be established if that person is self-employed.  If self-employment status is confirmed the University will need written proof for HM Customs and Excise purposes and a [self-employment form](http://admin.exeter.ac.uk/corporate/procurement/downloads/forms/Self%20Employment%20form.doc) must be completed.  Invoices and requests for payment for those who are not self-employed must to be sent to payroll where tax will be deducted at source.  The Payroll Office can be contacted with any queries relating to self-employment.

* 1. Parabilis - Internet Purchasing

The Parabilis e-procurement system is a combination of new Aptos modules and access to an electronic marketplace. The system provides an addition to, not a replacement for, the standard Aptos PO Management module although, in time will replace most of the core Aptos functions.

Visit the [Parabilis website](http://www.parabilis.ac.uk/institutions/resources) for a user guide

Using the new Aptos Web Requisitions module as a gateway, requesters enter the marketplace and create requisitions in one of three ways:

* Select a Supplier and then create a **free text** order;
* Either by selecting a Supplier or a commodity, create a shopping basket from a **catalogue** hosted on the marketplace;
* “**Punch out**” to the Supplier’s e-commerce website and create a shopping basket.

In each case, once the line details have been completed, the transaction is carried back to Aptos to add the final details – account codes, delivery locations etc.  After the requester has approved the requisition, the new Aptos Workflow module takes the POs through the approval process.  Approved POs are transmitted automatically to the suppliers.

Read the [Parabilis frequently asked questions](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/parabilis-faq.docx).

If you wish to learn more about Parabilis and how it can be used for your college/service, contact [procurement@exeter.ac.uk](mailto:procurement@exeter.ac.uk).

* + 1. *Benefits of using* eSystems *(like In-Tend and Parabilis)*

The implementation of e-enabled systems has major benefits which include:

* free up considerable time so that each department can spend more time managing other work and projects.
* assist in controlling processes which is currently carried out using various systems
* transparency of the Tender/ordering process
* electronic storage of documents and associated filing.
* better Contract management opportunities
* greater visibility of Contracts (including renewal dates)
* ability to assess supplier performance regularly
* reduction in ordering and payment costs, bringing about transactional savings and a paperless process
* data recording and analysis
* spend and supplier analysis

There are a number of benefits of other arising out of establishing an e-Tendering portal including.

* Smaller businesses (SMEs) will benefit from what will be a user friendly system and will be encouraged to use the system through the web, thus reducing their own costs. In keeping with the Glover Report.
* greater control over the use of collaborative or corporate spending, Contract arrangements, eliminating rogue and maverick spending.
* improved management information on spend and suppliers will be available to assist the University in planning future procurement activity, allocation of resources and in sourcing.
* subsequent reductions in the costs of goods and services will arise, contributing to the Annual Efficiency Statement Targets.
* improved IT literacy for staff involved in electronic processing bringing    about improved efficiency.
* evidence of being well managed - the University can benefit from any kudos associated with this progressive approach.

There have been a number of different definitions of potential savings arising out of e-Procurement. A commonly accepted cost comparison used by The [Government Procurement Service](http://gps.cabinetoffice.gov.uk/) (GPS) in their [Value for Money (VFM) Improvement Programme](http://gps.cabinetoffice.gov.uk/i-am-buyer/introduction-buyers) accepts that the creation of e-Systems will contribute to potential cost savings.

4.4 Purchasing Cards

The NatWest Purchasing Card is a corporate credit card that can be used to pay for goods and services of low value e.g. conference and seminar fees, accommodation charges, vehicle hire and other travel expenses and for goods bought from approved University suppliers. Staff using these cards cannot obtain cash.

Purchasing cards are a more effective and cheaper option for the University than providing manual cheques. Furthermore, ‘informal orders’ are not permitted under the Financial Regulations. Therefore purchasing cards are to be used instead of informal orders to purchase occasional or emergency goods or services, especially where a manual cheque would otherwise be required.

Purchasing Cards should not be used to order goods and services that are higher-value, risky, complex, available on a current contract or ordered frequently. These goods & services are to be procured using competitive tenders, framework agreements or other arrangements that maximize the University’s spending power and manage the risks of procurement. Contact [Procurement Services](http://www.exeter.ac.uk/finance/procurement/contactus/) for further guidance.

[Guide](http://www.exeter.ac.uk/finance/procurement/buying/purchasingcards/) to Purchase Cards

The University recognizes the benefits of using Purchasing Cards as a *complementary* method of formally ordering goods and services. The advantages include less paperwork, less administration time and lower costs. Purchasing Cards are more suitable than APTOS and Parabilis for one-off purchases of low-value, low-volume, low-risk goods and services. They can also simplify infrequent purchasing from foreign suppliers.

[Guide](http://www.exeter.ac.uk/finance/procurement/buying/purchasingcards/) to Purchase Card Policy (*Additional Info*)

*4.4.1 Purchasing Card Policy*

The [Financial Regulations](http://www.admin.ex.ac.uk/finance/regulations/exeterregs.htm) require that goods and services should be procured on the APTOS system (soon to include Parabilis e-procurement) whenever practicable. However, Purchasing Cards allow the one-off use of essential suppliers not on the Supplier List (Active P1 Ledger). They are also useful for making emergency, off-site or out-of-hours purchases

Finance Services issues a monthly statement to each cardholder detailing the charges made to their card during the previous month. The cardholder must then provide the details (on a form) and associated VAT receipts to the Purchasing Card Coordinator. The funds from the appropriate devolved University budget are then drawn down. Each cardholder and his/her line manager should treat these statements as they would a supplier’s invoice. The University settles the debt through a monthly payment by direct debit.

The use of Purchasing Cards is controlled as follows:

* Each application for a card must be supported by the Head of School or Service;
* The applicant must receive training on the use of the Purchasing Card;
* Card usage will usually be restricted to certain ‘merchant categories’;
* Card holders must comply with the Terms and Conditions of use and University regulations. If the regulations are breached, then the card may be withdrawn and disciplinary action may be taken.
* Each Head of School or Service must review the distribution, use and financial limits of the purchasing cards in that school or service at appropriate intervals.

4.5 Remember the Terms & Conditions

Terms and conditions are a key part of the contract between the University and its suppliers for supply of goods or services. The Purchase order is vital in confirming these terms and conditions. Terms and conditions are used when purchasing goods and, or services. For most purchases that require a simple order then the default terms and conditions will apply. For other more complex purchases it is important to seek help from the Procurement or Legal Teams (see [Section 7.7](#Section7))

The University’s [Ts & Cs](http://www.exeter.ac.uk/finance/procurement/buying/termsandconditions/)

***Key Points to Remember!***

**

**Section Five: Procurement Regulations relating to the European Union (EU)**

To provide guidance on the relevant EU regulations that governs procurement

[Back to Contents](#Contents)

**Section Five: Procurement Regulations relating to the EU**

[Back to Contents](#Contents)

5.1Introduction to EU Directives

The current EU Procurement Directives have been implemented in UK law through Regulations set out in Statutory Instruments. Previously, there were three separate regulations in the UK which applied depending upon whether goods, works or services were being procured. These three sets of rules were brought together in one piece of consolidated legislation which came into force on 31 January 2006:

* In England, Wales and Northern Ireland: the **Public Contracts Regulations 2006**

The full text of these Statutory Instruments is available from Her Majesty’s Stationery Office at [www.hmso.gov.uk](http://www.hmso.gov.uk). Procurement staff should consult the original text of the Regulations for detailed information.

These Directives set the thresholds for when tender opportunities must be advertised across the whole of the EU in line with the principles outlined in [Section 1.4](#Section1). The directives go on to set out detailed procedures for the award of contracts whose value equals or exceeds specific thresholds. There are considerable sanctions and fines for breaches of the Directives.

Useful inks European & UK [Procurement Regulation](http://www.ojec.com/Directives.aspx)

PUBLIC CONTRACTS REGULATIONS 2006 – Thresholds for Universities (*aggregate spend*)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **SUPPLIES** | **SERVICES** | **WORKS** |
| Other public sector contracting authorities | £173,934 (€200,000) | £173,934 (€200,000) | £4,348,350 (€5,000,000) |

The Regulations set out detailed procedures for the award of contracts whose value equals or exceeds specific thresholds. The following points should be noted:

* Values exclude VAT;
* Values are total, not annual (see ‘*Aggregation’* below);
* Requirements must not be split to avoid breaching thresholds;

If you are is unsure if the value of a contract will exceed the threshold, you should assume that it will to avoid the possibility of legal challenge that may stop your project and result in considerable fines and penalties.

*5.1.1 Part A and Part B Services (Public Services Contracts Regulations)*

## The Public Services Contracts Regulations identify two categories of services:

* Part A services require the regulations to be applied in full; and
* Part B services to which only the requirements on specifications and post-award information need be applied.

Procurement Team ‘[Contact Us’](http://www.exeter.ac.uk/finance/procurement/contactus/) link

*It is essential that you seek advice from the Procurement Team when assessing whether Part A or Part B applies.*

5.1.2 Discrimination

There is an international obligation imposed by the European Union. At the general level, the Treaty of Rome requires that no buyer should discriminate on nationalistic grounds, **whatever the value of the purchase**.

For higher value demands, EU Directives demand that contracting authorities should provide equality of opportunity to all potential suppliers within the EU. In particular, prescribed actions are required to be carried out, including the advertisement of intended purchases in the Official Journal of the European Union (OJEU). **Failure to comply can lead to legal challenge** by a disadvantaged supplier, with the courts able to impose remedies available, including revocation of any non-compliant contract and the payment of damages by the Contracting authority to an aggrieved supplier.

**NB:** Both above and below the relevant thresholds, awarding of a contract must pay due regard to the fundamental principles of the EU regulations to ensure:

* Equal treatment
* Non-discrimination
* Mutual recognition
* Proportionality
* Transparency

This is to ensure compliancy and protect the University (and its officers) against any legal challenge.

5.1.3 Which Regulations Apply?

The European Procurement Directives applies to any activity for which a contract may be let. Only one set of regulations can apply to any one contract which can present some consideration when projects contain requirements that fall into different categories. Each contract can be categorised by one of three descriptors:

Procurement Team ‘[Contact Us’](http://www.exeter.ac.uk/finance/procurement/contactus/) link

* Service
* Supply
* Works

|  |  |
| --- | --- |
| **Public Services Contracts Regulations (Services)** | Contracts where a purchasing authority engages a Contractor to provide services. Services are divided into Part A and Part B categories (see 5.1.1 above). |
| Design Contracts where the purchasing authority requires plans or designs which involve a jury and offer prizes and payments or which may lead to the award of a services Contract. |

|  |  |
| --- | --- |
| **Public Supply Contracts Regulations (Goods)** | Contracts for the purchase or hire of goods and for the siting or installation of these. This includes, for example, Contracts to provide off-the-shelf software. |

|  |  |
| --- | --- |
| Public Works Contracts Regulations (Works) | Works Contracts by which civil engineering or building works are carried out or, such facilities are provided to meet specific user requirements. A definition of what is included in works is set out at Schedule 1 of the Works Regulations. |
| Works concessionaire Contracts which are works Contracts under which the supplier has the right to exploit the works to be carried out under the Contract |
| Subsidised works Contracts which are works Contracts to be awarded by a body other than the public authority but where a public authority contributes more than half the cost |

NB: Service concession Contracts are excluded from the Public Services Contracts Regulations. These are Contracts by which a purchasing authority engages a person to provide services within the responsibility of the purchasing authority and under which the reward consists of, or includes, the right to exploit the provision of the services to the public.

5.1.4 Mixed Requirements

Where a Contract includes supplies and services, the Regulations relating to the largest element by value should be applied.

Where a contract includes a mixture of works and supplies, or services, the Regulations should be chosen according to the dominant purpose of the contract.

5.1.5 Aggregation Rules EU

Identifying the threshold at which the Regulations apply is complicated by the existence of aggregation and “small lots” rules.

Under the Works Regulations, where a single work involves more than one contract, the estimated value of all the contracts must be aggregated in deciding whether the threshold is reached. Where the threshold is reached each of the works Contracts will be covered by the rules.

Under the Regulations covering services and supplies, to determine the contract value threshold, aggregation of the following is required:

* the estimated value of separate contracts for meeting a single requirement; and;
* in a number of defined circumstances, the amount paid or expected to be paid where a series of Contracts or a renewable Contract is entered into for services/supplies of the same type.

To estimate the value of your planned acquisition you should compare the estimated **total cost** of the goods, services or works project against the relevant threshold.  This includes the cost of the goods, services or works and all associated items e.g. maintenance agreement, consumables, materials, equipment/plant hire, consultancy services, delivery and insurance charges, etc over the period of the Contract term up to a normal maximum of 4 years (see also Section [1.7.1](#Section1) above).

[Introduction](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62060/introduction-public-procurement.pdf) to Public Procurement

5.2 Tender Processes (EU Tenders)

There are now seven methods which may be used to award contracts under EU Regulations:

* **open** – any company who replies to the advertisement in the European Journal can Tender;
* **restricted** – companies express an interest in tendering in response to the advertisement and after a preliminary vetting procedure (limited to financial & technical capability[PQQ]), a shortlist of companies are invited to tender;
* **negotiated** – the University enters into negotiations with usually at least three companies before awarding the contract. Concrete reasons for using this method must be documented and advice sought from Legal Section, because the scope for proceedings by negotiation is limited both under the EU Regulations and Contract Regulations. Seek advice before using this route - there are few opportunities for the use of the negotiated procedure. In all cases there must be appropriate justification;
* **competitive dialogue** - a procedure in which any economic operator may request to participate and whereby the contracting authority conducts a dialogue with the candidates admitted to the procedure, with the aim of developing one or more suitable alternatives capable of meeting its requirements, and on the basis of which the chosen candidates are invited to tender;
* **framework agreement** - an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged;
* **dynamic purchasing system** - this is a completely electronic process for making commonly used purchases, the characteristics of which, as generally available on the market, meet the requirements of the contracting authority, which is limited in duration and open throughout its validity to any economic operator which satisfies the selection criteria and has submitted an indicative tender that complies with the specification.
* **electronic auctions** - this is where there is a “call for competition” by way of an open, restricted or negotiated procedure. The specification is precise and there is an effective criterion to pre-qualify with all contractual T&C’s agreed in advance. The final stage is where pricing is undertaken electronically.

5.2.1 Time limits

The EU Directives prescribe time limits to all process above the thresholds. **These must be followed**. All time limits set for the tendering procedure must give the contractors sufficient time to draw up their tender response. Allowing this time will often provide better responses from suppliers.

The time limits specified are minimums and if it is felt that the tender in question is complex more time should be given.

5.2.2 Advertising Contract Opportunities

All purchases above the EU threshold contracts, which are covered by the European Directives, must be advertised in the Official Journal for the European Union (OJEU) *before* being advertised elsewhere. These adverts are known as *Contract Notices* and can be submitted by electronic means, letter or fax. The Procurement Team will publish these on your behalf.

EU tender process [flowchart](http://www.exeter.ac.uk/finance/procurement/buying/)

The ‘advertisement’ will be placed in the ‘Supplement to the Official Journal of the EU’ (OJEU). There are some exceptions such as Part B Services under the EU Services Directive (see 5.1.1 above) and in some cases where the Negotiated Procedure is applicable. Professional procurement assistance in respect of the application of EU Regulations must always be sought.

5.2.3 Prior Indication Notices (PIN)

The philosophy behind a PIN is to advise potential contractors of any forthcoming contracts so that they have the opportunity to prepare resources and tenders. Issuing a PIN can also benefit the University by widening the competition base and reducing the timescale on contract notices. PINs are also electronically posted to OJEU by the Procurement Team if required.

A Prior Indication Notice (PIN) should be sent to OJEU as soon as possible after the start of a University’s financial year where the total consideration which the authority expects to give under all contracts for similar supplies or Part A services exceeds the thresholds.

There is no obligation to publish a PIN or to award a Contract, which has been described in a PIN. However; a PIN helps prepare the market and should be considered carefully if issuing preemptive information would gear up the market to better and more comprehensive responses. The PIN must have been published for 52 days before advantage can be taken of the reduced timescales which publishing a PIN will bring**.**

5.2.4 Expressions of Interest

In the case of the restricted and negotiated procedure, an expression of interest is a completed Pre-Qualification Questionnaire (PQQ) received by the University within the time limit stated in the Contract Notice. A Contract Notice asks contractors to contact the University if they are interested in tendering for a contract. Contractors do this by placing an expression of interest via in-Tend (see [Section 3.3](#Section3)).

5.2.5 Framework Agreements

The definition of a ‘framework’ agreement is defined in regulation:

*“an agreement or other arrangement between one or more contracting authorities and one or more economic operators which establishes the terms (in particular the terms as to price and, where appropriate, quantity) under which the economic operator will enter into one or more contracts with a contracting authority in the period during which the framework agreement applies.”*

Framework agreements are generally used for purchases where there is a repeat need but exact quantities or timings are unknown. They allow contracting authorities to make individual purchases without repeating many of the stages of a full competitive tendering process required by the regulations. There may be no need to formulate terms and conditions for call-off contracts because these are pre-agreed. This is one reason why the University has chosen to use frameworks in delivering a number of commodities e.g. buildings, refurbishments, recruitment, IT infrastructure, stationery and furniture.

A framework agreement is, therefore, a general term for an agreement or arrangement between a supplier or suppliers, on one hand, and a contracting authority or contracting authorities, on the other, which sets out the terms and conditions under which “call-off contracts” can be made throughout the term of the agreement.

A framework agreement does not bind any contracting authority to purchase goods, services or works - a contracting authority can decide to use the framework agreement if it represents value for money. If a contracting authority considers that the framework agreement does not provide value for money, it can choose to award a contract outside the framework (subject to the University Financial Regulations/procurement rules).

Framework agreements can be awarded to either a single or multiple contractors. If a framework agreement is awarded to multiple suppliers, then there should be at least three contractors but only if they satisfy the selection criteria. If more than one tenderer is selected for the framework agreement, work is awarded after a mini-tender (further competition/mini-tender of those selected to the framework) where all entities on the framework are invited to tender.

When calculating the estimated contract value of framework agreements, officers must consider the envisaged maximum expenditure over the period of the arrangement, excluding VAT. Framework agreements cannot run for more than 4 years (refer to [1.7.1](#Section1) and 5.1.5 above).

In addition to the contracts and framework agreements that the University awards, the University may develop collaborative, region-wide contracts and, or framework agreements established by a number of like-minded public bodies to source its requirements, including the following:

* Government Procurement Services ([GPS](http://gps.cabinetoffice.gov.uk/i-am-buyer/find-a-product-or-service))
* Higher Education Sector through any of its consortia, but especially agreements established by the Southern Universities Purchasing Consortium ([SUPC](http://purchasing.uk-plc.net/BuyerDotNet2/index.aspx?Contracts=1)) of which the UoE is a member
* Devon Procurement Partnership ([DPP](https://www.supplyingthesouthwest.org.uk/swce/Contracts.nsf/fcontent?ReadForm&requesttype=view&requestview=authority&region=REG-DSIN-7GNK96&authority=ORG-DNWA-7GNKBG&sd=&stype=&rv=authority&start=21&count=20&contentid=1.002))
* Regional Frameworks like Construction Framework South West (CFSW) and the Consultancy Framework South West ([CFSW](http://www.cfsw.org.uk/))

5.2.6 Confidentiality

It is important to ensure that the confidentiality of all contractors is respected, that there is a clear and concise record of the procurement process and that there is evident transparency.

5.3 Mandatory Standstill Period (Remedies)

The standstill period is central to preserving an aggrieved bidder or would-be bidder's effective remedies where there is a breach of the procurement rules. It provides the opportunity for a contractor to challenge a decision to award a contract before it has been entered into and seek to have it set aside: once a contract has been entered into, an aggrieved party's rights are limited to damages.

EU legislation insists that (for procurements over the EU thresholds) a minimum of ten (10) days’ ‘Mandatory Standstill Period’ must be observed between communicating the award decision to all tenderers and the contract conclusion (signing off of the contract documents, purchase order etc.). This period is to allow the unsuccessful bidders to be formally debriefed by you and to legally challenge the tender procedure.

Therefore, to allow the court full discretion in applying legal remedies, the University is not permitted to conclude a contract with the ‘winning’ supplier until a period of at least ten (10) calendar days has elapsed, from the date on which suppliers are advised of the decision. A contract cannot be concluded with the winning supplier until at least the eleventh (11th) calendar day at the earliest following notification. This would not prevent continuing discussions with the ‘winning’ supplier to ensure prompt mobilization of the supplier’s resources once a contract was concluded.

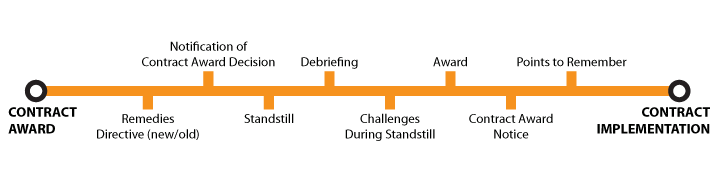
The Remedies Directive (which came into force on 20th December 2010) made provision for a number of changes to the existing regime in respect of the Standstill Period which must be observed. The Remedies Directive introduced the remedy of ineffectiveness which can be claimed by a potential challenger *up to 3 months* from the award of a contract. As well as introducing the remedy of ineffectiveness, the Directive has brought about a number of technical changes were you must contact the Procurement Team for assistance**.**

Under the new Remedies Directive, in certain circumstances, the courts will be able to render contracts *ineffective* by ordering their cancellation. In addition, the court must impose a fine (or, as it is termed, a Civil Financial Penalty) on the contracting authority. Limited discretion is given to the courts to make such an order, but if it does, it must make an alternative penalty, which could be a shortening of the contract or a fine. These potential penalties make it imperative that the correct procedure is followed.

Contracting authorities need to provide significantly more information up front in the Mandatory Standstill Notice (MSN) than previously. Tenderers can expect a full statement of reasons for the decision to award a contract including:

* the award criteria (with weightings);
* the Tenderer’s score;
* the winning Tenderer’s score;
* the name of the winning Tenderer;
* the characteristics and advantages of the successful bid;
* a detailed breakdown of the scoring for successful bidders and for individual unsuccessful bidders, and;
* the date when the standstill period is expected to end.

**NB**: Failure to give this MSP opportunity will put the University at considerable risk of challenge. Additionally, the new Regulations make it explicit that the Contracting authority cannot enter into the Contract if it has not met its Mandatory Standstillobligations *or if the award has been challenged*.



5.4 Freedom of Information

The Freedom of Information (FOI) Act 2000 has been in force since January 2005. The Act is designed to help increase confidence in public authorities through a greater transparency and openness about procedures and decision-making. FOI places certain responsibilities on the University.

[FOI Guidance](http://www.exeter.ac.uk/freedom/) at the University

FOI gives everyone both from within and outside of the University a right of access to recorded information held by the University. Individuals have the right to be told whether or not the University holds the information and if it is to have the information communicated to them. The University has 20 working days in which to deal with the request. Key to this is keeping all relevant information secure and accessible.

It is important to note that FOI does not mean that all information must be provided in response to a request, there are reasons including data protection, confidentiality and commercial interests that may exempt the information for being provided. In many instances information about procurement exercises will concern commercially sensitive information that should not be released.

For all advice and on receipt of a FOI request contact [dataprotection@exeter.ac.uk](mailto:dataprotection@exeter.ac.uk)

5.5 Procurement/Replacement of Electrical Equipment (Duty of Care)

The Waste Electrical and Electronic Equipment (WEEE) Regulations 2006 relate to buying and disposing (collection, treatment and recycling) of all electrical equipment The WEEE Regulations 2006 aim to reduce the amount of WEEE being disposed of and require producers to pay for its reuse, recycling and recovery.

WEEE compliance [briefing note](http://www.exeter.ac.uk/media/universityofexeter/campusservices/sustainability/pdf/201107_WEEE.pdf)

*5.5.1 Responsibilities for schools, services and faculties*

WEEE should be separated from the main waste stream and not combined with the general waste in bins or skips. The duty of care for waste including safe storage and disposal also extends to WEEE).

If the electrical equipment was bought before 13 August 2005 and is replaced with new equipment fulfilling the same function, then the producer of the new equipment is responsible for collecting, treating and recycling the old equipment, regardless of whether they were the original manufacturer.

The equipment need not be identical and can be equipment that fulfils the same function, taking account of technological developments and improvements in functionality, such as replacing a video player with a DVD player.

The University must be able to show evidence that the equipment was sent to an accredited re-processor.

*5.5.2 Disposing/Replacing of waste electrical and electronic equipment*

Before replacing electrical equipment you should consider the following.

* Think about the environmental consequences before deciding to replace equipment.
* Is it essential to buy a new product or can the equipment be upgraded by a reputable company?
* Can a suitable, safe refurbished product be purchased from a reputable supplier instead?
* If the equipment is in good, safe working order, can it be used by anyone else in the University instead of throwing it away?
* If equipment is sold or given away, it is important to ensure that it is in a good, safe condition. This is because the University will have a duty of care and there could be liability implications if an accident was to occur as a result of an existing, fault on this equipment. Consequently, any operating manuals must also be passed on and copies of maintenance and service logs. A copy of this information should also be kept by the school or service, as evidence.)

**Section Six: Evaluating Your Tender**

To provide practical guidance on evaluating Tenders

[Back to Contents](#Contents)

**Section Six: Setting Evaluation Criteria and Evaluating Tenders**

[Back to Contents](#Contents)

Evaluation of bids is arguably the most complex and significant part of any procurement process and central to evaluation is the formulation and application of suitable award criteria. The proliferation of complaints, both formal and informal, from bidders reflects the importance of award criteria and the difficulties they frequently produce. Universities face a delicate balancing act when weighing up the need to ensure legal compliance, particularly the requirements of transparency and non-discrimination, with the need to retain sufficient discretion to achieve the best outcome for their organisation.

*Remember* that the purpose of tender evaluation is to select the bid that meets your requirements and delivers best value for money; and that it is essential that it is undertaken fairly and is *seen* to be fair and transparent. Your evaluation should be systematic, objective and well documented to provide a clear and logical audit trail.

For award criteria to be objective: if interpreted strictly, it is likely that the only permissible award criteria would be quantitative (e.g. technical compatibility, price); whereas it is common to see qualitative award criteria applied (e.g. cultural fit, compliance with the authority’s strategic aims or environmental objectives). Whilst it is possible to evaluate these qualitative criteria objectively, it is undeniable that to do so can be problematic if not thought about in advance (and appropriate guidance sought).

6.1 What are “Award Criteria”?

A sensible and straight-forward interpretation of the term is that the "award criteria" are the basis for awarding a contract, which is founded on the purchaser’s objectives in carrying out the procurement. Despite the fact that evaluation criteria are a crucial element of the procurement process, there is no clear definition of the term either in the procurement Directives or the Public Contracts Regulations 20062. Nonetheless, taking the Directives and Regulations as a logical starting point,

Directive 2004/18 states that:

"*Contracts should be awarded on the basis of objective criteria which ensure compliance with the principles of transparency, non discrimination and equal treatment and which guarantee that tenders are assessed in conditions of effective competition*."

The Regulations allow for two bases of award: lowest price or most economically advantageous tender from the point of view of the contracting authority. The latter is commonly referred to as "MEAT". For the ‘most economically advantageous tender’ basis of award the Regulations require contracting authorities to use:

*"…criteria linked to the subject matter of the contract to determine that an offer is the most economically advantageous including quality, price, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, cost effectiveness, after-sales service, technical assistance, delivery date and delivery period and period of completion.”*

**NB:** When tendering you must include a comprehensive and clear description of the criteria/methodology you are seeking to adopt for the evaluation and set out in the tender documents any assumptions or models that you intend to use in the evaluation process that could have the effect of altering the tenderer’s approach to the pricing of its bid.

6.2 Developing Evaluation Criteria

In the interest of fairness, transparency and openness, it is important to develop the criteria to be evaluated as an integral part of the overarching project/procurement planning.

For procurements above the EU thresholds (see Section [5.1.5](#Section5)) this is mandatory; as information will have to be available in the Contract Notice (see Section [5.2.2](#Section5)). The consideration in developing your criteria should be:

* What are we trying to achieve?
* What are the key criteria on which a decision can be made?
* How do we measure that the criteria have been met?
* Are the criteria consistent with strategic aims and objectives?

Criteria should be *weighted* to reflect their relative importance and in most cases discussions with the market ([Section 7.1](#Section7)) will provide invaluable help in identifying how attractive/innovative options may be to the market and whether or not particular options are feasible for meeting the requirements.

The criteria might include the ability of the option to:

* Provide the required benefits
* Reduce demands on in-house resources e.g. procurement, management
* Meet requirements within a particular timescale
* Reduce Costs
* Provide Innovation
* Generate income
* Provide access to external investment
* Improve performance in a particular area
* Impact negatively/positively on other areas of the University’s work

The criteria to be used in the evaluation and their weightings must have been included in your tender documentation and suppliers asked to provide information in relation to each. Here the weightings must reflect the relative importance of each criterion to the University. Your identification of criteria and weightings must be carried out with care to ensure that you can identify the most suitable supplier. For best results criteria are agreed by all the key stakeholders and remain unchanged following the sending out of invitations. You should also look to developing criteria from your Business Plan ([Section 2.3](#Section2)) and Options Appraisal ([Section 2.4](#Section2))

Having robust criteria and evaluation methodology acts as a protection against a supplier challenge: on the grounds that criteria were chosen to favour a succinct supplier.

*6.2.1 Evaluation Criteria for Above the Threshold (EU Tenders)*

The evaluation criteria must be stated in either the EU Contract Notice and set out the tender documents as indicated above. Your criteria for evaluation, which was set out in the Contract Notice or tender documents, *must not* be amended; and must be used to evaluate your tenders.

Procurement [Web Pages](http://www.exeter.ac.uk/finance/procurement/buying/tenderprocess/)

**NB -** Tenders must only be evaluated on the assessment criteria set out in the Contract Notice.

*6.2.2 Minimum (Mandatory) standards and requirements*

In some cases a criterion is considered so important that if it cannot be met in full by a supplier, that supplier may be ruled out. Such criteria would not be weighted but would be assessed as a “yes” or “no” and it should be clearly indicated that this is a ‘Mandatory Requirement’ when selecting a suitable supplier for the tender/project requirements. Such mandatory requirements *must have* relevance to the specification and the genuine needs within the proposed contract.

There is nothing in either the legislation or the case law to indicate that a contracting authority is prohibited from specifying that one or more of its award criteria are minimum standards or requiring a minimum score to be obtained in respect of one or more criteria. In other words, if a bid does not meet that standard or exceed that minimum score, it will fail and cannot win the contract.

Generally, however, pass/fail criteria should only be used where the need for the criteria in question is proportionate to the performance of the contract, such as whether or not the tenderer has (or can) obtained the licence required to perform that contract.

*6.2.3 Criteria, Sub-Criteria and Sub-Sub-Criteria*

It is clear from the case law and from practice that Universities may choose to break down headline award criteria into sub-criteria and it may be the case that those sub-criteria are further broken down into sub-sub-criteria.

Provided the sub-criteria and the sub-sub-criteria comply with the principles already discussed above, and provided they are disclosed to the tenderers in advance this is perfectly legitimate.

Under both the Directive and the Regulations, a contracting authority is obliged to set out in either the OJEU notice or the contract documents (or in the case of competitive dialogue, the descriptive document) the award criteria and the weightings (or range of weightings) given to each criteria or, if weighting is not possible, the criteria in descending order of importance.

Therefore, if it is clear that if you are going to measure a tender by reference to any sub-criteria, those sub-criteria must be disclosed before tenders are prepared and included fully in the tender once issued.

6.3 Tender Evaluation

The European Directives allow contracts to be awarded by either the Most Economical Advantageous Tender (MEAT) or the ‘Lowest Price’. If the selection of the successful contractor is to be done by MEAT then the evaluation criteria must be set at the contract preparation stage of the procurement process.

*6.3.1 Lowest Price*

When evaluating tenders on the basis of lowest price, you should award the contract to the tenderer offering the lowest tender price(s) for a compliant bid. The "lowest tender price" refers to the prices set out in the tender, rather than the actual cost of those prices to the University.

It is important therefore to set out exactly how the price will be evaluated in the tender/quote documents. For example - in line with current case law- the criteria used to identify how the contracting authority will assess which tender offers "lowest overall cost" must be disclosed in the tender documents.

There are different ways to evaluate price. However; a common way in the UK is the use of a "standard differential" method. This assumes that the lowest price (excluding abnormally low bids – see below) will attract full marks. The other bids are then ranked comparatively to that lowest bid. There are a number of options in UK procurement practice for implementation of this method and you should contact the Procurement Team if you wish to consider other methods. Other methods include:

* "Fit to the budget" method - based on the maximum price the contracting authority is willing to pay for a particular contract. Project Leads may want to come up with this maximum price after having estimated the market price for the works, services or supplies involved: taking into account the contractual conditions attached (e.g. delivery date, quality, warranty features, etc) and its own budgetary constraints.
* the "mean average" method - the price element is scored by calculating the mean price of the bidding suppliers. This can be quite tricky and the number of marks depends on the spread of bids received by the contracting authority;

*6.3.2 Most Economical Advantageous Tender (MEAT)*

The general rule is that price should be an award criterion when evaluating MEAT on the basis of previous judicial comment. It seems that, unless the cost or price of the relevant goods or services is fixed, it would be very difficult to reach any objective determination of what was or was not economically advantageous without some reasonably reliable indication of price or cost in relation to which other non-price advantages might be taken into account.

It is worth noting the MEAT method is preferred not least because of the following opportunities to include in criteria:

* volume discounts (either inter-lots, or over a specific duration of time for repeat work/orders etc.);
* whole life costings (which should be considered alongside original construction or implementation costs to provide a complete picture of the cost of the procurement to the client.) It is possible to judge the overall cost to the contracting authority when assessing price, as long as this is made clear in the tender documentation. This could also include potential TUPE (transfer of employment) costs;
* The cost of any likely variations and the tenderer's approach to elements that is incapable of being costed at the point of tender (i.e. because they have not been designed or fully specified);
* In the event that the level of inflation for the duration of the contract is not fixed under the contract terms, the cost of any inflationary increases or decreases may be evaluated at the point of tender in order to assess the impact of such factors.

With the purpose of tender evaluation to select the bid that meets your requirements and delivers best value for money; using the MEAT method is often recommended/preferred. In any case, it is essential that evaluations are undertaken fairly and transparently.

*6.3.3 Abnormally Low Tenders*

Regulation allows you to reject abnormally low bids. An abnormally low bid is one that raises a suspicion that the tenderer will not be able to perform the contract as proposed, due to the price or terms offered. Furthermore, the contracting authority may also reject tenderers that are low because the tenderer has received unlawful state aid.

You are obliged to undertake an investigation of abnormally low prices prior to rejecting them. It this becomes an issue you must contact the Procurement Team. You may wish to clarify the offer received but this shouldn’t be done without seeking appropriate advice.

* 1. Financial/Commercial Assessment

The financial assessment/commercial evaluation is a vital aspect of the evaluation process: especially with regard to higher value/risk projects.

Above the EU Threshold (see [section 5.1](#Section5)) of the supplier should have been carried out at the pre-qualification (PQQ) stage (Restricted) and/or may be a criterion at the tender stage (ITT). In most cases suppliers will be asked to provide information about their financial status but the Procurement Team can use an enquiry system called ‘Creditsafe’ that can look at individual supplier’s credit ratings, County Court Judgments, financial misconduct etc. The fiancé team also has additional resources to establish a company’s commercial standing.

*6.4.1 Grounds for Exclusion*

The University has a duty comply with the general principles deriving from the Treaty on the Functioning of the European Union and Regulation 16 of the Public Contracts Regulation 2006 (as amended). Article 45 [Section 2] sets out where exclusions apply. Notwithstanding these principles you would think it unwise if you haven’t made absolutely sure that the tenderer:

* complies with the relevant regulations for businesses of that kind e.g. H&S, Equal Opportunities;
* is covered by an appropriate level of insurance;

[Procurement Strategy](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementstrategy/)

* has no record of insolvency, criminal activity, bribery, conflict of interest, unlawful discrimination etc
* maintains sound financial resources to deliver projects
* has the necessary accreditations/licences to practice
* ensure quality and environmental standards
  1. Dealing with References, Presentations (Interviews) and Site Visits.

It is not uncommon for the University to require references, presentations and/or site visits as part of the award criteria. There is a significant distinction between award criteria and *aids* to evaluation, so this must be handled carefully.

References, presentations and site visits may all easily be linked to the subject matter of the contract and may well assist in identifying the offer that is most economically advantageous. However; you will need to set out clearly how these will be scored and/or taken into account to offset the challenge that they confer an unrestricted freedom of choice for the University. For example, if at presentation, the award criterion is simply stated as "presentation ", and there are no sub-criteria or no disclosed marking scheme, then how may a tenderer know how its interview is to be assessed?

A good rule of thumb is that references, presentations and/or site visits should be limited to cases in which they are necessary to be assessed as a separate qualitative criteria or where criteria can only be assessed by those means. Before you consider the use of references, presentations and/or site visits you must consider why you want them. This seems an obvious point but one that can be easily overlooked. It may be that you simply want to verify what is said in bid documents or it may be to evaluate a criterion that cannot be easily demonstrated in a bid document.

*Remember* bidders must be treated equally and so if any site visits are to be used then *all* bidders' sites must be visited (one possible exception may be the verification of a winning bid). It should be possible for you to set out in the tender documents exactly how the visits are to be conducted and scored. For example, site visits may include at least some consideration of how the site has been used in the past or how the tenderer has performed a similar project at another contracting authority's site (i.e. experience) rather than illustrating the tenderer's proposals for the contract for which it is bidding.

The general advice for presentations, interviews and demonstrations is that their content of the interview could be tailored to the evaluation of a particular criterion in the tender, but as an aid to evaluation, rather than a criterion itself. In order to assure:

* transparency and non-discrimination with timely disclosure;
* consistent questioning;
* records are kept to ensure equal treatment – this will be reinforced by identifying the precise requirement(s) to which the suppliers are asked to respond to;
* assessment of criteria - separate marks should be identified with a scoring mechanism.
  1. Size of Evaluation Panel

The title here suggests there should be more than one member of the panel but there is nothing in legislation that suggests that there should be more than one member of a panel. However, only having only one member adds pressure to that one person and restricts the collective knowledge of the panel to that of one person. It is not hard to see an unsuccessful bidder arguing that one score from the one specific individual involved does not give a score that truly reflects the bid.

The most common panel size in our experience is three. Certainly if a panel of three is used then the collective knowledge and experiences of the panel is more likely to give a score that fairly reflects the bid.

Tenders must only be opened by the designated panel member (or delegated officer/procurement team member) and only after the deadline for their submission has expired.

* 1. Transparency Obligations

Notwithstanding the elements of price that a contracting authority chooses to evaluate, it must ensure that its preferred method is set out in the tender documents and described to bidders in sufficient detail to allow each bidder to interpret it in the same way and to allow them to take it into account when preparing their bids.

In other words, you need to ensure that you set out clearly in any tender documents any assumptions or models that it intends to use in the evaluation process that could have the effect of altering a bidder's approach to the pricing of its bid.

Like many aspects of advice in this Manual, getting the planning correct will help the whole process go smoother, minimizing mistakes, reducing duplication of effort and making the experience more satisfying for all concerned.

***Key Points to Remember!***

**

**Section Seven: Awarding the Contract**

To support the procurement process with advice on award of contract

[Back to Contents](#Contents)

**Section Seven: Awarding the Contract**

[Back to Contents](#Contents)

Contract Award is sometimes seen as the end of the project/procurement project but it remains a crucial part of the process: from planning 🡪 preparation 🡪 engagement 🡪 competition 🡪 negotiation 🡪 contract award through to contract management.

The advice is to ‘*keep your eye on the ball*’….successful contract award will make is easier to manage the contact once it is in place. It is usual for the relevant issues (such as application of ‘Terms and Conditions of Contract ‘) are agreed and supported by stakeholders and submitted with the tender documents.

7.1 Pre-Tender Negotiations

Pre-tender negotiations should not be confused with any corresponding post tender exercises. It has already been established that the ability to obtain value for money will frequently be enhanced by pre-tender discussions with the market to ensure that potential suppliers are fully aware of the requirement and that the specification reflects what is available in the most cost-effective manner.

It is worth reminding though that although pre-tender negotiations may have been appropriate, care must be taken to ensure that all potential suppliers are treated equitably (throughout all negotiations) and that the competitive process is not distorted. It is perfectly acceptable to carry out market research with suppliers (ahead of tendering) to establish how the market has developed, what innovative methods are now possible, quantitative and qualitative feasibility etc. This may, then, help you develop a meaningful specification. However; you must not engage with any potential supplier to develop the tender further to the detriment of other potential suppliers.

It is not unknown for specifications to include requirements only available from one supplier. *This is illegal* (and can be challenged) if the specification is not integral to the outputs and needs of your procurement. In other words every supplier should have and equal and fair opportunity to bid on the basis of an open and consistent tender. Enshrining this principle will support the proper post tender negotiations that follow.

7.2 Bid Clarification and Post Tender Negotiation

There are two distinct areas that are important for you to be aware of;

* ‘Bid Clarification’ is the process of obtaining further information about a tender if it is incomplete or unclear.
* ‘Post Tender Negotiation’ (PTN) is the process of negotiating with a tenderer whose tender appears most favourable following evaluation to obtain improved terms for the University for example; price, time, and post-delivery service. It is one part of the process of obtaining best value for money for the University.

*7.2.1 Bid Clarification*

Before or during the evaluation process, queries may arise with an individual bidder’s submission that requires clarification before the evaluation process may be completed. Queries may arise where a bidder has given an ambiguous or otherwise unclear response to a question. Rather than assuming that you understand what was meant, it may be safer to seek clarification of the information.

Therefore, during the tender evaluation process (see Section 6.3) you may need to seek further information about aspects of a proposal which is unclear, lacking in detail, ambiguous or appear to show a misunderstanding of the requirements. The areas requiring clarification should be set out in writing by the procurer and a written response requested from the Tenderer. The response can then be evaluated as part of the tender evaluation process.

In short you can require a supplier to clarify its response/submission and/or provide additional information. However; your approach to clarification must be consistent with the principles of non-discrimination, transparency and equal treatment of all tenders. You must ensure that a tenderer does not receive an unfair advantage. *This is best served by making every clarification response available to all tenderers*.

Clarification should only be used to resolve ambiguities and to rectify errors; but not to give a tenderer an opportunity to improve a poor answer. *Remember*, bid clarification is not about trying to improve one bidder’s submission against another. It is about ensuring that you understand what the bidder is offering and can then carry out an informed evaluation of what has been offered and at what price.

You must take a consistent and fair approach. All tenderer should be given an appropriate time to provide a response to the clarification asked. If no answer is returned by the set deadline given, then you can allocate marks, or fail a tenderer, based on the tenderer’s original submission.

The majority of clarification issues fall into the category of “obvious mistake”, where it is apparent what the tenderer’s intentions were but an obvious mistake has been made in the tender submission. Some examples are:

* administrative mistakes - such as, referring to a document “attached” to the submission, which has been omitted;
* “typos” - such as, where percentages in a column add up to 10%, but 100% has been written (the extra “0” added by mistake);
* glaring omissions - such as, the working of a calculation has been shown, but the answer left blank; or
* inconsistencies and confused document structure, such as, where there is conflicting information in the document. For example, inclusion of a statement that there will not be any sub-contracting by the Candidate, and additionally a list of sub-service provider/s the Candidate is proposing to use.

In any other circumstances, consult with the Procurement Team; especially where you intend to allow other changes.

Suppliers may also request clarification of information sent to them in documents prior to submitting tenders. In these cases *any responses should be provided in writing and in general be copied to all other prospective tenderers*. This is ensure non-discrimination, transparency and equal treatment and to support any future audit.

Using in-Tend ensures that correspondence and clarifications are send securely and quickly ….and with a full audit trail. Use of in-Tend is recommended for all procurements above £5,000 (see ([Section 3.4](#Section3)) and in many case below this value.

*7.2.2 Post Tender Negotiation (PTN)*

PTN should be conducted by experienced and trained staff. In complex and/or high value contracts a negotiating team should be set up to include a procurement representative, an end user and a note-taker. Technical, financial and/or legal representation may also be required. Please note…

Successful PTN has taken place when it has:

* produced an agreement that is satisfactory to both sides;
* been no more time consuming or costly than necessary; and fostered, rather than inhibited, good interpersonal relationships

**NB**: There are restrictions on the use of PTN in conjunction with the Restricted and Open procedures. In these circumstances seek advice from the Procurement Team.

7.3 Debriefing Suppliers/Providers/Contractors

Debriefing is the provision of feedback to a supplier who has responded to an advertisement, request for quotation, or Invitation to tender following notification of whether or not they have been successful.

Supplier debriefing is good procurement practice and a debriefing should be provided wherever it is requested. They must, however, always be undertaken with caution and must be planned thoroughly and carefully. Debriefings in relation to projects subject to EU Procurement Directives must be carried out by trained procurement staff to reduce the risk of a legal challenge (see Section 7.4 below).

Although time-consuming, debriefing has long-term benefits for all concerned:

* Suppliers are given the opportunity to improve their competitive performance thereby offering you potential for improved value for money on future contracts;
* Suppliers are provided with information that allows them to improve their tenders thereby increasing their chances of being successful;
* They provide you with the opportunity to challenge the misconception that tenders are awarded on the basis of lowest price alone
* They can improve your image/reputation as a professional purchasing organisation (suing public money effectively);
* You can ask for feedback on their procurement processes with the aim to continuously improve working relationships.

7.4 EU Contract Award and Debriefing

As soon as a decision has been made to award a contract for a purchase above the EU threshold, there must be a Mandatory Standstill Period (MSP) of 10 calendar days between communicating the award decision and the conclusion of the contract (see [Section 5.3](#Section5)). The award decision must be communicated to all tenderers that applied to be short-listed (i.e. returned a PQQ). This is sometimes known by its associated case law “the Alcatel decision” and is *compulsory*. This ‘period of grace’ is to enable dissatisfied tenderers to challenge the award of the contract before it is signed and irrevocably in place.

[Guidance](http://www.exeter.ac.uk/finance/procurement/buying/tenderprocess/) EU MSN

To mitigate risk under the EU Remedies Directive, you must provide significantly more information up front in the Mandatory Standstill Notice (MSN) than previouslyto minimise the risk of a complainant arguing that a MSN is not effective ([see Section 5.3](#Section5)). Tenderers can expect, in that MSN, a full statement of reasons including:

* the award criteria (should indicate weightings);
* the Tenderer’s score (against the criteria);
* the winning Tenderer’s score;
* the name of the winning Tenderer;
* the characteristics and advantages of the successful bid;
* a detailed breakdown of the scoring for successful bidders and for individual unsuccessful bidders, and;
* the date when the standstill period is expected to end.

The scope on the MSP is specifically aimed at contracts within the full scope of the public procurement Directives and is therefore not intended to cover below threshold procurement, nor other procurements not fully covered by the public procurement Directives.

However, you should noted that, in cases of below-threshold procurements and of service concession contracts, where the full scope of the EU Directives do not apply, aggrieved tenderers are entitled to effective judicial protection of the rights they derive from the community legal order.

7.5 Terms & Conditions (Form of Contract)

Terms and conditions are a key part of the contract between the University and its suppliers. Their purpose is to:

* set down what you have agreed, and/or;
* present the inflexible terms under which you will accept business;
* define the contract;

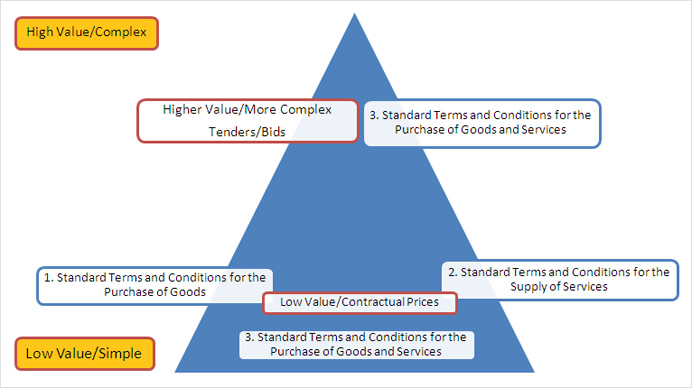
The [University’s Financial Regulations](http://www.exeter.ac.uk/finance/policies/)

* define the business procedures;
* protect your business and your rights;
* limit liability.

Having an up-to-date set of terms and conditions ensures that customers and clients are fully aware of their rights and obligations and ensures the University’s requirements are met. Effective terms and conditions will also help ensure compliance with, the University’s Financial Regulations, auditable buying practices to fraud prevention and contractual relationships. The consequent benefits are likely to be an increased confidence around financial commitment, managing spend/risk and obtaining best value for the University that includes....

The University’s [tender process](http://www.exeter.ac.uk/finance/procurement/buying/tenderprocess/) page

* Are we paying the right price?
* Are we receiving agreed service and quality?
* Easy to do business with?

Terms and conditions are used when purchasing goods, services and, or works. For most purchases that require a simple order then the standard (default) terms and conditions (1 and 2 below) will apply. However; you will need to choose carefully when using these standard terms and conditions in conjunction with your purchase/procurement. Best practice is to think about which terms and conditions you will use at the planning stages of your project/procurement and seek out help where needed.

*7.5.1Terms and conditions (T&Cs) of contract for goods and services*

Procurement Services, in collaboration with the University’s Legal Team, and to incorporate new legislative and statutory updates, has produced a suite of standard terms and conditions of contract. The first raft of terms and conditions of contract comprises:

[T&Cs Flowchart](http://www.exeter.ac.uk/finance/procurement/buying/termsandconditions/)

1. Standard terms and conditions for the purchase of goods (the default for goods).
2. Standard terms and conditions for the supply of services (the default for services).
3. Standard terms and conditions for the purchase of goods and services (the default for goods and services [combined] but can be developed to include more complex requirements/clauses).

*7.5.2 Terms and conditions of contract for appointment of consultants*

These terms and conditions have been developed in ‘short’ and ‘long’ form version consultancy agreements - as with other terms and conditions, they must reflect (and be refined to meet) the requirements of the contract.

1. Consultancy agreement (standard terms and conditions) for the appointment of consultants (the short form for appointment of individual consultants).
2. Consultancy agreement (standard terms and conditions) for the appointment of consultants (the long form for appointment of consultants in more complex projects).

*7.5.3 Terms and conditions of contract for systems (e.g. IT)*

In many cases you will need to seek specialist advice on the correct T&Cs to be applied. This area of purchasing is prone to disputes around implementation, integration, system failures, system support, upgrades and down-time…. to name but a few. The University does have a set of generic T&C’s that may prove useful and can be adapted when advice is sought.

1. Standard terms and conditions for the purchase of systems.

*7.5.4 Other Terms and conditions of contract*

It is unlikely that traditional standard conditions of contract will adequately support all procurements. For example; while [construction contract](http://civilengineerlink.com/construction-contract/)*s* serve as a means of pricing construction, they also structure the allocation of risk to the various parties involved. The owner has the sole power to decide what type of contract should be used for a specific facility to be constructed and to set forth the terms in a Contractual agreement. It is important to understand the risks of the contractors associated with different **types of construction contracts.**

* Types of Contracts commonly used in construction
* Lump sum Contract
* Item rate or unit price Contract
* Percentage rate Contract
* Cost plus percentage rate Contract
* Cost plus fixed fee Contract
* Cost plus fluctuating fee Contract
* Target cost Contract

The Estates Development Service (EDS) will use a number of established ‘Forms of Contract’ in keeping with the type of construction and the responsibilities and risks therein. Suppliers may have the opportunity for further discussion to refine and agree the T&Cs before contract award. This will require experienced handling and should include the Procurement Team (and the Legal Team if appropriate)

*7.5.5 Terms and conditions of Matrix*

|  |  |
| --- | --- |
| **Terms and Conditions for:** | **Guidance Notes** |
|  | [Terms and conditions flowchart](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.1.2.V1_Ts_&_Cs_-TandCs_flowchart_24102011_RV.doc) |
| [Terms and conditions for the purchase of services](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.1.V1_Ts_&_Cs_-_Terms_and_Conditions_for_the_Purchase_of_Services_24102011_RV.DOC) | [Guidance notes - services](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.2.V1_Ts_&_Cs_-_Guidance_notes_Services_30102011_RV.docx) |
| [Terms and conditions for the purchase of goods](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.3.V1_Ts_&_Cs_-_Terms_and_Conditions_for_the_Purchase_of_Goods_24102011_RV.DOC) | [Guidance notes - goods](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.4.V1_Ts_&_Cs_-_Guidance_notes_Goods_30112011_RV.docx) |
| [Terms and conditions combined goods and services](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.3.V1_Ts_&_Cs_-_Terms_and_Conditions_for_the_Purchase_of_Goods_24102011_RV.DOC) | [Guidance notes - combined](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.6.V1_Ts_&_Cs_-_Guidance_notes_GandS_30112011_RV.docx) |
| [Consultancy agreement - short form](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.7.V1_Ts_&_Cs_-_Consultancy_Agreement_-_short_form_24102011_RV.doc) | [Guidance notes - consultancy short form](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.8.V1_Ts_&_Cs_-_Guidance_notes_Consultancy_Short_Form_30112011_RV.docx) |
| [Consultancy agreement - long form](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.9.V1_Ts_&_Cs_-_Consultancy_Agreement_-_long_form_20122011_RV.doc) | [Guidance notes - consultancy long form](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.10.V1_Ts_&_Cs_Guidance_notes_Consultancy_Long_Form_20122011_RV.docx) |
| [Standard system supply](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.11.V1_Ts_&_Cs_Standard_System_Supply_ICT_20122011_RV.DOC) | [Guidance notes - standard system supply](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.12.V1_Ts_&_Cs_-_Guidance_notes_System_Supply_ICT_20122011_RV.docx) |
| [Conditions of purchase frameworks](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.2.13.V1_Ts_&_Cs_-_Conditions_of_Purchase_Frameworks_RV.docx) | [Framework agreement template](http://www.exeter.ac.uk/media/universityofexeter/financeservices/procurement/worddocs/H.5.9.V1_Ts_&_Cs_-_Framework_Agreement_Template_(Michelmores)_RV.docx) |

7.6 Using terms and conditions to get more from your supplier

Don't be afraid to take the initiative when developing the standard terms and conditions when planning you procurement/project - in conjunction with the guidance/advice here. T&Cs can be amended or added to - improving your position significantly. As in all contractual situations, the extent to which you can insist on changes will depend on your bargaining power.

However, it is important that the T&Cs are issued with your tender document to give you maximum possible bargaining power. It is not beneficial to make any terms and conditions detrimental to suppliers – who may increase prices at tender to assimilate restrictive clauses.

Always prepare the terms and conditions carefully to make sure that they set out the most basic aspects of the contract. You should make sure that the final signed contract reflects (at least) what has been agreed in terms of:

* quantities,

Procurement Team ‘[Contact Us’](http://www.exeter.ac.uk/finance/procurement/contactus/) link

* price,
* payment terms,
* delivery schedule.

Remember to keep your signed documents securely and accessibly. You might need to call upon them if any disputes arise.

7.7 Contractual Risk

When starting a procurement exercise, it is necessary to make an assessment of risks that may arise during the exercise. Factors such as the value, political profile and the importance of the proposed procurement will determine the potential for risk and indicate the time and effort to be used in completing an assessment. Potential risks that should be considered include:

* the procurement exceeds allocated budget;
* the goods/services are not delivered on time;
* the goods/services selected do not meet the users' expectations;
* there is a technology shift between the procurement selection and delivery;
* there is a change in the strategic direction of the institution/department.

Applying standard T&Cs embodies good procurement/legal practice and will assist in managing contract risks: identifying and controlling factors and potential threats that may have an impact to the successful delivery of your contracts, products or services.

Such risks can affect many aspects of a contract, including changes in pricing, timeframes, requirements and processes. It is therefore essential to manage risk within the context of agreed and signed T&C’s. You are urged to seek advice where appropriate; and especially for high value and /or high risk procurements.

7.8 Final Contract Award

Once terms have been agreed following bid clarification and/or negotiation, the contract should be awarded in writing on behalf of the University.

All goods and services bought by the University should use the standard terms and conditions unless otherwise approved by [Legal Services](http://admin.exeter.ac.uk/corporate/legal/index.shtml) or Procurement for all purchases.

[Contract Approval process](http://www.exeter.ac.uk/media/universityofexeter/securestaff/legalservices/pdf/11_doc_flowchart.pdf)

NB: For Awards above the EU threshold, a completed form must be sent to [procurement@exeter.ac.uk](mailto:procurement@exeter.ac.uk) to enable the Contract Award Notice to be published in the Official Journal of the European Union. In most case this will be done in liaison with the member of the Procurement Team assisting you.

7.9 Keeping Records

Detailed records 0f the contracts entered into should be retained, including the information provided to the supplier along with an indication that the supplier was satisfied or dissatisfied with the information. If the supplier appears to be prepared to issue a complaint, the matter should be referred to senior management and any action, if necessary, agreed and implemented. Any useful feedback from the supplier should be forwarded to the Procurement Team.

Many procurements /procurements are audited rigorously by our own auditors and external auditors (in the case or EU and/or Grant funding). Such audit will require detailed corroborative documents and processes that you must make available.

![Useful further information](http://www.exeter.ac.uk/recordsmanagement/records/guidance/) – Keeping Records

***Key Points to Remember!***

**

**Section Eight: Project Management**

To provide advice and guidance on Contract management at post-Tender award stage

[Back to Contents](#Contents)

**Section Eight: Project Management**

Contract management involves much more than just administration, contract management involves ensuring contractual obligations are met, services are delivered efficiently and commercial risks are identified and managed.

Procurement Manual: [Good Practice 1](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/) – ‘Contract Management**:** Responsibilities and Duties

[Back to contents](#Contents)

Of course for more complex purchases, there may be a project or contract management team to support the contract but in most cases the service manager will look to ensure that the provision/delivery/ installation meet expectations and targets.

To procure a contract and neglect to put sufficient resources into contract management, seeing it perhaps as an unnecessary overhead, is not conducive to ongoing best value. Best practice insists that organisations recognize the value that contract management can add - much more than just administration, contract management involves ensuring contractual obligations are met, services are delivered efficiently and commercial risks are identified and managed.

8.1 Post Project Review

The university expects that post project appraisals are carried out on all projects. A post project appraisal determines the extent to which a project met the budget, timetable and the key deliverables.

Project appraisal is presumed to be scheduled within 12 months after the completion of the implementation expenditure for a project. However, this is a long time, and you would be wise to consider the immediate needs of your contract. Some projects will require regular meetings with suppliers to set ground rules and implement successfully – especially where reputation and tight costs are an issue.

Post project appraisals should be completed by the [Project Manager](http://admin.exeter.ac.uk/finance/publications/cpp/cpp_c19.shtml#pm)/Procurement lead and should identify:

* The final project cost, which should be compared with both the latest authorised amount and the original authorised amount. Explanations of all variances should be noted.
* The actual completion date of the implementation stage of the project, which should be compared with the latest authorised completion date and the original completion date. Explanations should be given for the variances.
* The delivered key deliverables, which should be compared with the latest authorised key deliverables and the original key deliverables. Explanations should be given for key variances.
* Any lessons to be learnt from the project, and how these will be embedded in future.

Any direct contact with suppliers must be handled carefully. Suppliers must understand that all contracts are subjected to competition. Do not to give any undertaking which will compromise your independence.

8.2 Managing Contracts

Good contract management will ensure that the expected outcomes, established at contract award, are achieved within time and budget and with all parties feeling fairly treated. The detailed practicalities of contract management including the expected outcomes, performance measurements, management processes, dispute resolution etc should have been set out in the criteria for award and agreed with the supplier prior to award of contract: thereby making the process of management easier (see Section 6.2).

A relatively low-risk/value supply-only contract would benefit from the attentions of a Contract Manager/Procurement Lead/Responsible Officer at the start (or ideally a few weeks before the contract is signed) to implement core contract management processes, produce a contract summary if required and assess the risks and/or opportunities that may require action in the future. After that, monthly or even quarterly contract management reviews may be sufficient, with a focus on risk management and contractual compliance matters such as price increases and management information. Framework contracts (see [Section 2](#Section2)) for purchase of goods may fall in this category, requiring minimum contract management as long as the supplier is performing adequately.

For more involved contracting arrangements, such as contracts for services, detailed performance management regimes, a reasonable level of expected change, ongoing obligations on either party such as disaster recovery testing or benchmarking, or performance slippage or disputes, you should really be thinking about dedicated and skilled contract management as part of overall planning.

The aim, for longer term or repetitive contracts, should be continuous improvement. A dedicated Contract Manager can closely monitor performance in order to achieve this.

It is important to remind you that, as the contract comes to an end, a period of piloting, testing and/or defects management may be required depending on the nature of the contract. In all such cases you must have identified the implications of, and planned for, the transition and next phase. This will include careful communication with those to be affected.

Suppliers may also be required to periodically provide evidence on their performance. A set of key performance indicators should be agreed with potential supplier/s prior to contract award.

Procurement Manual: [Good Practice 4](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/) – ‘Assessing Supplier Performance’

8.3 Managing Supplier Performance

All contracts will require a minimum level of management oversight but, as complexity and risk increase, so the need for performance monitoring rises. Effective performance monitoring is part of the contract management process and how you intend to do this should be included in the contract specification.

Having established the supplier’s ability to deliver specified requirements and carried out due diligence, it is vital to ensure the contract is successfully executed. In particular, you need to:

* realise the contract aims;
* ensure both sides fulfill their respective obligations;
* manage risk and supply chain vulnerability;
* deliver continuous improvement, learning and knowledge transfer.

It’s crucial to set out at the start of the contract process – ideally much before tender planning stage – who will be responsible for undertaking the envisaged management tasks and ensuring the supplier is performing to standard.

Post-Contract appraisal is fundamental to Contract and supplier relationship management – it allows the buyer and supplier to:

* Monitor compliance;
* Identify non-compliance and trigger corrective action, including Contractual penalties;
* Quantify important performance attributes and measure change and improvement;

For larger contracts, buyers will need to go beyond ensuring compliance and work with the supplier to secure further benefits, such as cost savings and value for money (VFM).

8.3.1 *Provision of Management Information*

The University requires all its contracted suppliers to provide regular management information (MI) regarding its contracts or agreements. The MI should include data on UoE expenditure, commodities, purchase order data, trends and other information. Data is required in electronic format on a regular basis (e.g. on a six months/annual cycle) and is agreed with the supplier at the time of contract award.

You may note that keeping such records and maintaining a robust contract management approach will protect against any inherent risks. In the event of termination; such management Information will provide the evidence for corroborated decision-making (Section 8.1 above) based on fact/actions.

8.4 Ongoing Assessment (if appropriate)

This assessment phase is applicable to projects where there is an ongoing involvement from a supplier or service provider or where the output from the original contract has an ongoing impact on the University. The decision on if, when and how often these will be carried out should be agreed in advance and with full cooperation in the tendering/planning stages. In-service assessments will apply to e.g. buildings and IT systems and consultancy procurements where a new work routine is being implemented or where the supplier is providing an ongoing service. The aim is continuous improvement. On-going assessments will provide feedback to inform and improve future procurement activity.

The University’s electronic tendering system (in-Tend: see [Section 3](#Section3)) is the advised route to be used (to monitor contracts post award). Lead officers should liaise with the Procurement Team to ensure reporting and updates can be provided via in-Tend.

8.5 Measuring Performance/Key Performance Indicators (KPIs)

There is no hard and fast rule about which characteristics of the product or supplier should be measured or how many measures there should be. It depends on what characteristics are important to the buyer and how KPIs are selected and used. As a general rule, there should be as few measures as possible (since monitoring costs money) and KPIs should be linked to the user or consumer experience.

Procurement Manual: [Good Practice 3](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/) – ‘Supplier Appraisal’

Factual, objective information about performance (particularly in relation to the product or service itself) can usually be obtained from the supplier’s or buyer’s IT systems - examples could include these below.

* How often delivery is in full and on time;
* The level of non-conformance, e.g. rejects;
* Invoice accuracy;
* Project milestones delivered on time and to cost;
* The number of customer complaints/returns or rectification costs;
* Flexibility (ability to respond to changing needs);
* Levels of waste, CO2 emissions or landfill disposal.

It is also possible to appraise the supplier’s performance in the execution of the contract – by, for example, measuring responsiveness to queries, quality of account management and accuracy of invoicing. The key is to have useful/ documented /agreed services expectations (form both you and the supplier) and measured by KPIs.

Some performance characteristics, especially in service contracts, require the views of customers or other stakeholders. These may relate to satisfaction with the product or services, responsiveness of the supplier, quality of people or ancillary support services (such as call-centres) or perceived value for money.

*8.5.1 Ways to collect data*

There are a number of ways to collect the data you feel is important in demonstrating that the services are being delivered to contract (and beyond) as expressed in the examples below.

* Interviewing against a defined set of questions. This can be face to face, or on the phone but needs to be interactive so that the interviewer can explore more detail when necessary. Sometimes commitment is required from stakeholders, such as technicians working with the supplier ‘in the field’; to keep records of their experiences of working with a supplier in order that objective factual data can be used.
* Using customer/stakeholder surveys that can be distributed and collated electronically.
* Verification – perhaps of self-assessment reports and quality information. This is normally part of a product or supplier audit and can involve direct sampling of the product or service (for example as a “mystery shopper”) or by auditing the supplier’s management and control systems. This verification can be a contractual obligation and paid for by the supplier.
* Performance information - reviewed formally with the supplier at intervals. The frequency depends on the duration and complexity of the contract or relationship, but should be at least biannually for high-risk suppliers. The review should cover a range of indicators, including:
* an assessment of KPIs and trends;
* an analysis of non‑conformance events and any follow-up investigation;
* any changes to the supply situation (supplier or market);
* any changes in the buyer organisation;
* progress against improvement or efficiency targets;
* an assessment of any relationship issues or appraisal findings;
* identification of opportunities to further improve efficiency and quality.

Procurement Manual: [Good Practice 3](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/) – ‘Supplier Appraisal’

It is usual for any organisation to carry out internal staff/stakeholder discussion to assess performance and provide feedback.

It is well documented that a robust appraisal process helps an organisation to be more effective. Considering this, and the increasing dependency on bought-in goods and services, it seems odd that genuine supplier appraisal isn’t more prevalent. (see [Procurement Guidance 3: Supplier Appraisal](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/))

8.6 Managing Contract Variations

The University may, from time to time during the contract period, by written notice to the contractor, request a variation of the specification provided that such variation does not amount to a material change to the contract conditions. Such a change is called a “*variation*”. Any such variation should be communicated in writing and all variations and good practice is to included in an addendum to the contract

It is usual following such notice, that the contractor/supplier will enter into ‘good faith’ negotiations (for a period usually set out in the T&Cs). If the variation is necessary as a matter of urgency due to circumstances outside the parties’ control, such shorter periods are usually stipulated.

Agreeing the variations should be carried out properly and fairly – reflecting the nature and extent of the proposed variation. If the parties are unable to agree the University may:

* agree that the parties shall continue to perform their obligations under the contract without the variation; or
* terminate the contract with immediate effect.

# The ramifications of not agreeing a variation will be disastrous if there is not Exit Strategy or “Plan B”. It is likely to take much resources and time to resolve.

# 

8.7 Termination and Exit Strategy

In keeping with the terms and condition of the contract, the University may terminate the contract with immediate effect by notice in writing where the contractor/provider is not meeting agreed requirements. You should consult the Legal Team in any such instance (the Procurement Team may also be able to assist initially).

Procurement Website: [Supplying the University](http://www.exeter.ac.uk/finance/procurement/supplyingtheuniversity/)

Managing the delivery of obligations as set out in the contract is a very important duty. As the contract progresses through its duration the Contract Manager/Responsible Officer will also have accountability for ensuring that both parties are working towards the planned exit, and subsequent re-supply arrangements if required.

Success or failure, at stage when the contract is breaking down, will be defined by the ability of the Contract Manager/Responsible Officer to build trust, cooperation and optimum performance from both the customers and suppliers. It goes without saying that this is a last resort and should be after exhaustive discussion and review based on the collection of data/information set out in the preceding sections above. An Exit Strategy will concentrate on the loss of the service and/or goods and plan alternative provision.

Successful (uncontested) termination will rely on the information gathered as part of the contract management regime established. In other words this exercise will depend on your management of the project to justify termination.

Procurement Manual: [Good Practice 1](http://www.exeter.ac.uk/finance/procurement/policiesandprocedures/procurementmanual/) – ‘Contract Management: Responsibilities and Duties’

***Key Points to Remember!***

**

[Back to Contents](#Contents)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Appendix 1: PROCUREMENT CHECKLIST** | | |
|  | **Actions to be undertaken**  *‘Operational’ relates to the Project Lead/Contract Manager and responsible officer(s)* | **Where to find related material in the manual** | **Who? Operational and/or Procurement Services (PS)?** |
| **1. Draft the SPECIFICATION and SCOPE** | | | |
| 1.1 | Identify the SCOPE: Who will use the acquisition or Contract? | Preparing/Planning [[Section 2.3](#Section2): Business case/[Section 2.4](#Section2) Options Appraisal] | Operational (Advice from PS) |
| 1.2 | TIMESCALE: When must you have the acquisition? Delivery/Start date? |
| 1.3 | What OUTCOME is required? (Do not specify more than you need) | Outcome based specifications [[Section 2.6](#Section2): Drawing up a Specification] |
| 1.4 | Quote a STANDARD for the quality or build of the acquisition. (Use an industry standard where possible and appropriate. | Planning for criteria setting [[Section 6.2](#Section6): Developing Award Criteria] |
| 1.5 | Volumes/Frequency | Setting KPIs [[Section 8.5](#Section8): Measuring Performance] |
| 1.6 | Key Performance Indicators (to monitor Contract) |
| 1.7 | What are the elements of LIFECYCLE COST? | WLC [[Section 2.11](#Section2): Whole Life Costing] |
| 1.8 | Is the purchase above the EU threshold? | EU Regulations [[Section 5.2](#Section5): Tender Processes (EU)] |
| **2. RESEARCH the market and supplier** | | | |
| 2.1 | What is the VALUE of the acquisition over the planned Contract life? | WLC [[Section 2.11](#Section2): Whole Life Costing] | Operational |
| 2.2 | Client's AIM and OBJECTIVES? | Preparing/Planning [[Section 2.3](#Section2): Business case/Section 2.4 Options Appraisal] |
| 2.3 | Who will be the Project Manager? | Preparing/Planning [[Section 8.2](#Section8): Managing Contracts] |
| 2.4 | Who will be the Contract Manager? |
| 2.5 | Research the Market: | Preparing/Planning [[Section 2.3](#Section2): Business case/Section 2.4 Options Appraisal]  Also [Supplier Appraisal: [Section 2.4](#Section2)] | Operational (Advice from PS)  Operational (Advice from PS) |
| 2.6 | What strengths, opportunities, levers & offers can we use to get the best deal? |
| 2.7 | Agree the method and stages of procurement | Deciding how to proceed [[Section 1.7](#Section1): Decision Matrix] |
| 2.8 | Refine the specification if appropriate. | Specifications [[Section 2.6](#Section2): Drawing up a Specification] |
| **3. Determine STRATEGY and PROGRAMME** (apply EU/Public Procurement Regulations if appropriate) | | | |
| 3.1 | What procurement method will be used and why? | Defining what is wanted [[Section 2.3](#Section2): Planning the project. [Section 1.7](#Section1): Decision Matrix] | Operational (Support from PS) |
| 3.2 | How will BEST VALUE be obtained? | Best Value [[Section 2.9](#Section2): Value for Money] |
| 3.3 | What is the programme? (Steps and dates) | Preparing/Planning [[Section 2.3](#Section2): Business case/Section 2.4 Options Appraisal] |
| **4. Define Selection Criteria (scoring system) for PQQ / Short-listing** | | | |
| 4.1 | What criteria are to be tested? | Planning for criteria setting [[Section 6.2](#Section6): Developing Award Criteria] | Operational (Support from PS) |
| 4.2 | What scorings or weightings? |
| 4.3 | What is the value element? |
| 4.4 | What criteria are essential? (Pass or fail) |
| 4.5 | Will references be part of the PQQ? |
| 4.6 | What is the 'Pass Mark' or number of suppliers allowed through to the ITT? |
| **5. Prepare the PRE-QUALIFICATION QUESTIONNAIRE (PQQ)** – i*f required* | | | |
| 5.1 | General Company Information | Company Checks [[Section 6.4](#Section6): Financial/Commercial Assessment] | PS (Support from Operational) |
| 5.2 | Financial Standing |
| 5.3 | Quality Assurance - Min Accreditation Requirements/Awards (Member of Industry Group, ISO9001, etc) |
| 5.4 | Technical Capacity |
| 5.5 | Environmental / CSR / Sustainability | WLC [[Section 2.11](#Section2): Whole Life Costing; [Section 2.10](#Section2): Considering Environmental issues] |  |
| **6. Define Selection Criteria (scoring system) for Contract Award** | | | |
| 6.1 | What criteria are to be tested? | Setting evaluation criteria and evaluating tenders [[Section 6.2](#Section6): Developing Award Criteria] | Operational (Support from PS)  Operational (Support from PS) |
| 6.2 | What scorings or weightings? | Setting evaluation criteria and evaluating tenders [[Section 6.3](#Section6): Tender Evaluation] |
| 6.3 | What is the value element? |
| 6.4 | What criteria are essential? (Pass or fail) | Setting evaluation criteria and evaluating tenders [[Section 6.2.3](#Section6): Minimum Standard/Requirements |
| 6.5 | Will references, presentations, demonstrations and/or site visits be required? | Setting evaluation criteria and evaluating tenders [[Section 6.5](#Section6): Scoring References, Presentations and Site Visits |
| 6.6 | Proof of concept? | Preparing/Planning [[Section 2.3](#Section2): Business case/Section 2.4 Options Appraisal] |
| **7. Draft the PRICING SCHEDULE** | | | |
| 7.1 | List of Products/Services with Volumes/Frequency of Visits | Preparing/Planning [[Section 2.3](#Section2): Business case/Section 2.4 Options Appraisal] | Operational (Support from PS) |
| 7.2 | Early Payment Discount | Setting evaluation criteria and evaluating tenders [[Section 6.3.1](#Section6): Lowest Price; [Section 6.3.2](#Section6): MEAT]  Also Awarding a Contract [[Section 7](#Section7) T&Cs] |
| 7.3 | Warranties? i.e. rectify faulty/not to standard goods |
| 7.4 | Late Deliveries |
| **8. Prepare the TENDER DOCUMENTS** | | | |
| 8.1 | Quotations/ Tender (refer also Specification, Award Criteria & Pricing Schedule) | Procurement Processes/ Flowcharts [[Section 3.1.1](#Section3): Key Tender Documents] | Operational (Support from PS) |
| 8.8 | PQQ & Selection Criteria | Setting evaluation criteria and evaluating tenders [[Section 6.3](#Section6): Tender Evaluation] |
| **9. ADVERTISE Tender Opportunity** | | | |
| 9.1 | ITT's above £25k, advertise on Tenders.ac.uk. | Procurement Processes/ Flowcharts [[Section 3.1.1](#Section3): Key Tender Documents] | PS (Support from Operational) |
| 9.2 | ITT's above the EU thresholds to be advertised using 'OJEU'. | Procurement Regs (EU [[Section 5.2.2:](#Section5) Advertising EU Opportunities] |
| 9.3 | Can others methods be used i.e. Contract Finder, local press, Business Link, Federation of Small Businesses, etc. | Preparing/Planning [[Section 2.3](#Section2): Business case/Section 2.4 Options Appraisal |
| **10. PQQ** *(if required)* **- issue and score** | | | |
| 10.1 | Issue PQQ | Procurement Processes/ Flowcharts [[Section 3.1.1](#Section3): Key Tender Documents] | PS (Support from Operational) |
| 10.2 | Responding to clarifications/questions | Awarding the Contract [[Section 7.2.1](#Section7): Bid Clarifications] |
| 10.3 | Receive PQQs | Setting evaluation criteria and evaluating tenders [[Section 6.6](#Section6): Size of Evaluation Panel] |
| 10.4 | Shortlist bidders (according to scoring criteria) | Setting evaluation criteria and evaluating tenders [[Section 6.3](#Section6): Tender Evaluation] |
| **11. SUPPLIER SELECTION** | | | |
| 11.1 | Invite Tenders (Send the ITT) from shortlisted bidders. | Procurement Processes/ Flowcharts [[Section 3.1.1](#Section3): Key Tender Documents] | PS (Support from Operational) |
| 11.2 | Answer questions (replies go all bidders) | Setting evaluation criteria and evaluating tenders [Section 6.3: Tender Evaluation; Section 6.7: Transparency Obligations]] |
| 11.3 | Score Tenders in line with Contract Award Criteria | Setting evaluation criteria and evaluating tenders [[Section 6.3](#Section6): Tender Evaluation] | Operational (Support from PS) |
| 11.4 | Negotiate price, service and additional elements  … or ... Clarify price and service (for EU processes) | Awarding the Contract [[Section 7.2.1](#Section7): Bid Clarifications] |
| 11.5 | Score the other elements of the competition (presentations, etc.) | Setting evaluation criteria and evaluating tenders [[Section 6.5](#Section6): Scoring References, Presentations and Site Visits |
| 11.6 | Identify winning bid | Awarding the Contract [[Section 7.3](#Section7): Debriefing Suppliers; [Section 5.3](#Section5) MSP) |
| **12. Contract Award** | | | |
| 12.1 | Send letters to successful and unsuccessful bidders. Offer Contract Debrief to unsuccessful bidders. | Awarding the Contract [[Section 7.3](#Section7): Debriefing Suppliers; [Section 5.3](#Section5) MSP] | Operational (Support from PS) |
| 12.2 | For EU ITT's apply EU Mandatory Standstill Period (MSP)  Debrief successful and unsuccessful bidders. |
| 12.3 | Debrief other bidders (if required) |
| 12.4 | Sign Contract (and issue purchase order if relevant) | Awarding the Contract [[Section 7.8](#Section7): Final Contract Award]  Also Awarding a Contract [[Section 7](#Section7) T&Cs] |
| 12.5 | Contract/Framework Agreement in place (Key Performance Indicators included) | Setting KPIs [[Section 8.5](#Section8): Measuring Performance] |

**APPENDIX 2: ‘EU TENDER’ PROCEDURE Flowchart – Total spend is estimated to be above EU threshold (excl. VAT).**

[Back to Contents](#Contents)

For further information, visit [procurement website](http://www.exeter.ac.uk/finance/procurement/).

**START:** Identify needs and desired outcomes.

Research the marketplace.

Identify short listing and Contract award

criteria and weightings.

Issue identical Tender documents at same time to suppliers. EU legislation stipulates minimum number of Tenders required to ensure competition and the minimum timeframes allowed for suppliers to return Tenders.

All Tenders to be opened at same time and date. Tender opening to be witnessed by minimum of 3 staff. All staff initial top sheet of each supplier’s Tendered price list. All staff completes the Tender opening form and the register of interests form.

Benchmark resultant scores against all other Tender scores to determine which Tender most closely matches UoE needs and is best value.

Issue Mandatory Standstill Notice to each Tenderer giving details of their scores against each Contract award criterion, total Tender score and the name of preferred supplier and total Tender score. (Presumed that highest Tender score = preferred supplier). Offer all suppliers formal debrief on evaluation process.

For complex purchases, or Contracts having a duration of years, the UoE customer manages supplier’s performance against predefined and Contracted standards and, or KPIs throughout the lifetime of a Contract.

Contact Procurement Services to determine EU Procurement Route and publish OJEU notice seeking Expressions of Interest. EU legislation stipulates timeframes allowed for suppliers to respond to the UoE.

All expressions of interest are assessed against published criteria. Resultant scores determine whether suppliers are invited to submit a Tender to the UoE.

Formal debriefs given to all suppliers as requested during 10 day period counting from date of issue of the Mandatory Standstill Notice. All challenges to award decision to be resolved during this period, or term extended until ‘challenge’ is settled. No contact with successful supplier during this period.

Issue purchase order and, or Contract to supplier. File all Tenders received and documents relating to the evaluation debrief and award of Contract together. Retain for minimum of 7 years.

Assess Tenders received against the Contract award criteria. For each Tender received, record score awarded against each criterion and total score achieved. Presentations from suppliers may be received.

**END:** After goods received and, or services performed to required standard, supplier’s delivery note signed and invoice paid. Complex purchases, or Contracts having a duration of years, will require this step to be repeated for each and every delivery of goods and, or performance of services.

**Appendix 3: BUSINESS CASE CHECKLIST**

[Back to Contents](#Contents)

|  |  |  |
| --- | --- | --- |
|  | ✔ | **x** |
| **STRATEGIC FIT** |  |  |
| Demonstrate a clear understanding of the business goals and how the project will deliver these. |  |  |
| Consider University and wider HEFCE initiatives. |  |  |
| State critical success factors for the project clearly. |  |  |
| Identify all stakeholders and understand their needs. |  |  |
| **COST AND BENEFITS/AFFORDABILITY** |  |  |
| Undertake a cost/benefit analysis. |  |  |
| Consider affordability issues. |  |  |
| Consider efficiency gains to be delivered. |  |  |
| **PROJECT OPTIONS** |  |  |
| Consider wide range of project options. |  |  |
| Consider collaboration with other authorities. |  |  |
| Clearly state the criteria against which project options have been evaluated. |  |  |
| Undertake qualitative analysis of project options. |  |  |
| Undertake quantitative analysis (costs vs. benefits) of project options. |  |  |
| Consider market attractiveness; know whether there are any interested suppliers. |  |  |
| **ACHIEVABILITY** |  |  |
| Consider legal and regulatory issues. |  |  |
| Consider the reasonableness of the timescale and the scale of the project. |  |  |
| Consider wider dependencies, e.g. other programmes and projects. |  |  |
| Consider the impact of the project on other areas such as the environment, legacy systems and the current infrastructure. |  |  |
| Consider the level of skills and resources required to undertake the project and how these will be obtained, for example by training or external advice. |  |  |
| **RISK** |  |  |
| Identify key risks. |  |  |
| Evaluate the risks in terms of the likelihood of occurrence, cost and time implications and ‘worst case scenario’. |  |  |

**Appendix 4: Steps Prior To Purchasing**

[Back to Contents](#Contents)



### Where Should You Start?

Many factors must be taken into consideration before purchasing or contracting any goods, services or works. The detail required to address the issues will vary depending on the nature, complexity and value of the purchase. It is your responsibility to ensure that you have identified and considered all of the relevant issues.

The following is not a comprehensive list. Some or all of the steps may need to be followed (and certainly considered) - there may be other issues that are not listed which will need to be well thought-out before beginning to let a contract.

### MCj04418900000[1]Step 1

A Project Plan should be drawn up at the beginning of each procurement exercise, setting out all the strands of work, how they will be undertaken and the times for their completion.

### MCj04418900000[1]Step 2

You must have authority to let contracts (including satisfying Financial Regulations). Appraise the need for the expenditure and its priority. (See [University Financial Regulations](http://www.exeter.ac.uk/finance/policies/))

### MCj04418900000[1]Step 3

Define the objectives of the purchase.

### MCj04418900000[1]Step 4

Consider how the purchase links with any VFM requirements.

### MCj04418900000[1]Step 5

Obtain comprehensive information about the service/goods required. Time is needed to research this and the types of issue to consider may include:

* the duration of any proposed contract;
* taking a radical and critical view of any current arrangements (are there any changes or improvements that can be made?);
* considering the purchases that you will be responsible for, or may be responsible for in the foreseeable future, that could be associated or are linked with this contract;
* giving some thought to any monitoring arrangements (KPIs)
* checking whether there is any other arrangement(s) already in place (this may be in another service or college);
* identifying how the service is provided now and whether there are any workforce considerations in relation to the specification of the service or staff transfer or consultation issues which need to be reflected in the purchasing documentation.

### MCj04418900000[1]Step 6

Consider the most appropriate procurement method, including:

* make or buy
* sourcing through any purchasing organisation already approved by the Council
* collaboration with other purchasers
* a packaging strategy
* estimating the cost of purchasing the good or service, including the cost of the Tender process and options elsewhere.

### MCj04418900000[1]Step 7

Consult users (stakeholders) as appropriate about the proposed procurement method, contract standards, and also performance and user satisfaction monitoring.

### MCj04418900000[1]Step 8

Assess the risks inherent in the purchase and determine the appropriate risk management strategy. What risks are associated with the purchase and any implementation? For example, an approach to risk management in IT purchasing might involve the following:

* When purchasing leading-edge IT solutions, it may be wise to contain the initial outlay to development of a prototype.
* Often, packaged applications offer a variety of different solutions and require varying degrees of customization and consequential change management within the organisation. It may be wise to contain the initial commitment to the commissioning of one or more feasibility studies.

Other risk management questions to consider include:

* Is the complexity and detail of the specification appropriate to manage the risks associated with tasks not being performed?
* Is price adjustment likely to be necessary for inflation or service variation – does the contract cover this?
* If the contract is not a fixed-price contract, are there sufficient measures to control costs (for example, procedures to agree a cost ceiling for an individual order)?
* What are the main default risks? Are there clear rights to Terminate? What loss might the University suffer if the contractor defaulted or caused damages? Are the insurance levels, limitations of liability and liquidated damages provisions in the contract adequate?
* Should the contract be made subject to a bond or parent company guarantee?

Alternatively, if the major need is to secure a high-quality and compatible partner to work with and reduce the risk of that decision going wrong, it may be appropriate to develop a two-stage tendering process, with Stage 1 focusing on a variety of quality method statements.

It is recommended that a through risk analysis should be undertaken (subject to the value/complexity of the project) in order to determine the area on which to concentrate procurement skills/ resources and whether to aggregate contract(s) for commonly used items. Recommendations are often defined as

* Universities should, at an early stage, map their procurement activities using techniques such as a low/high-risk and low/high-value matrices. They should identify the areas where procurement resources can have most impact and the appropriate skills and techniques for each type of procurement.
* …and should seek to aggregate demand and reduce costs by setting up central contracts for commonly used items and by requiring consolidated invoices.

### MCj04418900000[1]Step 9

If you are not the budget holder, ensure that the budget holder is aware and has sufficient funds in the budget for the purchase.

### MCj04418900000[1]Step 10

Notify the [Procurement Team](http://www.exeter.ac.uk/finance/procurement/contactus/) as soon as the budget is allocated if the purchase is a significant one (so a Prior Information Notice can be published).

### MCj04418900000[1]Step 11

Take any advice necessary to plan and carry out your purchase in good time. Alert stakeholders of the anticipated timescale so that they can plan to be available to assist. It is best to consult stakeholders very early in the process.

### MCj04418900000[1]Step 12

Access to accurate and relevant commercial intelligence and knowledge of the marketplace is necessary in deciding how you wish to purchase and how to draft the tender documents. You may need to research the relevant market. Possible sources of information might include:

* existing customers of these products or services, including other councils
* trade associations and local chambers of commerce
* trade fairs
* online databases
* internet searches, e.g. supplier web pages
* consultant advice
* trade journals and directories.

Any direct contact with suppliers must be handled carefully. Suppliers must understand that all contracts are subjected to competition. **Do not to give any undertaking which will compromise your independence.** To demonstrate that all suppliers are treated equally, any questions received and information provided must be carefully recorded. You should seek advice if planning any meetings or seminars for consultation purposes. Any meetings or seminars that take place must be recorded and details circulated to all interested parties.

### MCj04418900000[1]Step 13

If your purchase is significant you may wish to test the market by issuing a Prior Information Notice (PIN). This gives early warning to the marketplace that you are letting a Contract and will give you a structured way of consulting the marketplace in a fair and open manner prior to developing your specification. Whatever consultation method is used, care must be taken to ensure this does not distort competition or prejudice any bidder or potential bidder. Any significant investigation should be done within the formal competition process (e.g. Invitation to Tender). Market research activity must not pre-empt that process.

### MCj04418900000[1]Step 14

Consider your detailed procurement strategy. Once you have made a preliminary assessment of the purchasing need, researched the market to obtain a clearer idea of what is available, who are the potential suppliers and how much the purchase may cost and identified the regulatory constraints and possibilities, the next step is to determine the best procurement strategy within the legal framework.

You purchasing strategy should also identify sufficient resources, the correct documentation and a timescale that allows enough time to plan and undertake the purchase. It is your responsibility to follow the designated procedure, including where agents are instructed to undertake the purchase.

One question to consider is: How easy is it to produce a meaningful specification?

Is some assistance required from the market sector? If so, it may be appropriate to use a negotiated process involving dialogue with suppliers, if this is possible within the regulatory constraints. Alternatively, the Restricted Procedure may be adapted. This route may be better able to promote open and equal competition. Under the Restricted procedure - a sophisticated several-stage tendering process might be adopted, rather than a conventional single-stage process inviting the lowest priced offers.

Tenderers might be required to respond at stage 1 with a broad overview proposal in response to an open-ended Invitation to tender specification than might usually be produced. These stage 1 responses could be used both to make a shortlist and to inform the production of a more focused specification for stage 2 of the tendering phase.

*It should not be assumed that the regulatory framework cannot be adapted to accommodate a genuine commercial purchasing need, nor should the regulatory framework be avoided.* However, care is needed to identify the correct procurement strategy which complies with the rules and promotes both the business needs of the organisation and full, fair and focused competition.

The procurement strategy needs also to address:

* whether the University’s initial financial commitment is limited in some way
* how the contract is packaged
* the drafting of the specification
* the structure of the Pricing Schedules
* the structure of the evaluation strategy.

### MCj04418900000[1]Step 15

Consider Staff transfers, resources and consultation issues

**Appendix 5: Useful Links**

[Back to Contents](#Contents)

|  |  |  |
| --- | --- | --- |
| Organisation/Information | Website | Summary/Content |

|  |  |  |
| --- | --- | --- |
| Government Procurement Service (GPS): Framework summary list | <http://gps.cabinetoffice.gov.uk/i-am-buyer/find-a-product-or-service/framework-summary-list> | This document provides a listing of all Government Procurement Service framework agreements by category - you can access more information about each of these agreements by typing some of the reference number or framework agreement name into the search box within [Find an agreement](http://gps.cabinetoffice.gov.uk/i-am-buyer/find-a-product-or-service) |
| Southern Universities Purchasing Consortium (SUPC) List of available agreements | <http://supc.procureweb.ac.uk/members/list-of-supc-agreements> | Shows a list of all the agreements SUPC members are able to access |
| The Scottish Government: Guidance on Legislation affecting Public Sector Procurement | <http://www.scotland.gov.uk/Topics/Government/Procurement/buyer-information/spdlowlevel/EUGuidance> | Details of EU Procurement Directives procedural rules to be observed when awarding Works, Supplies and Services contracts and are intended to promote fair and open competition and a single European market. |
| GeM (via SUPC): compliant contracted suppliers | <http://purchasing.uk-plc.net/buyerdotnet2/index.aspx?Contracts=1> | Higher education sector through any of its consortia, but especially agreements established by the Southern Universities Purchasing Consortium (SUPC) of which the UoE is a member. |
| Advice and Support Service (PASS) :Procurement Guides | <http://www.passprocurement.com/passGuidances.html> | BiP Solutions' Procurement Advice and Support Service (PASS) helps buyers to tender more effectively and suppliers to win new business |
| Association of Colleges (AoC) | <http://www.felp.ac.uk/> | Understanding the procurement process |



Procurement Services

Second Floor

Northcote House

Streatham Campus

University of Exeter

Exeter

EX4 4QJ

 For further information:

<http://www.exeter.ac.uk/finance/procurement/contactus/>