

Procurement Policy and Procedure

Approved by	Date Approved
Board of Governors Finance and General Purposes Committee	15 December 2016 22 November 2016

Policy owner	Director of Finance	Status	Approved
Version	1 - December 2016	Impact assessed	Yes
		Date of Next Review	

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A Introduction

1 Background

Purchasing in Higher Education is big business and encompasses a huge variety of goods, services and works – the annual non-pay spend in this sector in Scotland is around £1b. In common with most Higher Education Institutions, the University's non-pay expenditure equates to over 40% of its total expenditure (approximately £43.8M out of a total of £101M at RGU in 2014/15) and the Procurement Department is concerned with the management of the majority proportion of this non-pay expenditure. Much of the funding for this comes from the public purse which means there is an inherent requirement for these funds to be managed in a manner that is accountable and demonstrates both probity and value for money.

This guidance is primarily intended to provide best practice information on all activities associated with the ordering of goods, services and works and to inform staff of applicable University regulations and current legal requirements.

2 Strategy and Objectives

The University, in its **A Clear Future** strategy, aims to "return value to the University and its investors". To this end, the Financial Regulations provide the framework for control over the totality of the University's resources and, recognising the continuing strain on resources, seek to help the University obtain and strive to improve value for money.

Best value for money must be the primary objective and it should be defined as the optimum combination of whole life cost and quality (fitness for purpose) to meet the requirement. The relevant factor in the former is that there is more to consider than only the lowest initial price. Account must be taken of the University's wider responsibilities in terms of legal, moral, social, economic and environmental impact.

3 Accountability

The Principal and Vice-Chancellor is the University's Designated Officer responsible for the financial administration of the University's affairs. This is in line with current arrangements between the University and its main funding body, the Scottish Funding Council, for accountability for the use of public funds. This includes a duty to ensure that the procurement of goods, services and works is managed appropriately - the University's actions must therefore be able to demonstrate value for money as well as an open, transparent and non-discriminatory approach to its procurement activity.

Deans of Faculty and Heads of School/Department are responsible for ensuring that all procurement activity within their authority is carried out in compliance with UK legislation, University policy and procedures and ethical standards.

Within the University's devolved procurement structure, the Head of School/Department may delegate authority to a nominated individual(s) in their area, generally referred to as the Procurement Coordinator(s), to oversee the procurement function - this should ideally be one person and certainly no more than two or three specific persons. The Head of School/Department must ensure that all procurement activity is channelled through the authorised

person(s) and that accountability and responsibility are explicitly defined*. Such delegation of authority does not however absolve the Head of School/Department of responsibility and accountability for the proper execution of the procurement process within his/her area - nor does it absolve the Director of Finance/Head of Procurement of his/her responsibilities.

* These arrangements are quite distinct from the delegation of authority to raise, authorise and receipt orders/invoices on the Pecos and CedAr systems which are set out in the Financial Regulations.

4 Structure

The Procurement Department is part of the University's Financial Services Department and manages a part centralised, part decentralised function serving the procurement needs of all the University's Faculties and Departments, both academic and support services.

The Procurement Department seeks to advance the understanding and use of best procurement practice in the University and to work with colleagues to achieve value for money in all University transactions.

The central Procurement Department is based in:

Room G207
Central Services Building
Garthdee Campus
Garthdee Road
Aberdeen
AB10 7FY

and comprises three staff under the management of Mike McCall, Director of Finance:

Rod Strachan, Procurement Manager, 01224 262068, r.strachan@rgu.ac.uk
Helen Booth, Senior Procurement Adviser, 01224 262059, h.booth1@rgu.ac.uk
Hannah Jackson, Procurement Adviser, 01224 262609

The devolved activity is managed for each School and Department by its Procurement Coordinator(s) who have a significant responsibility in respect of validating orders and suppliers and ensuring due process with regard to quotations, tenders and contracts.

B Policy

5 Statements of Policy

It is University policy that:

5.1 Legality, Compliance and Ethics

- Purchasing activity will comply with all legal and regulatory requirements determined by Scottish, United Kingdom and European Union legislation, including the Public Contracts (Scotland) Regulations 2015, Procurement Reform (Scotland) Act 2014 and the Procurement (Scotland) Regulations 2016.
- Purchasing will be carried out in accordance with the University's Financial Regulations, Procurement Procedures and Contracts Policy.
- The procurement process will take due account of all social, ethical and environmental impacts (see separate [Sustainable Procurement Policy](#)) and purchasing activity will support the University in fulfilling its obligations and public sector duty under the Equality Act.
- For every procurement over £4m, RGU will consider how it can improve the economic social or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with its strategic objective relating to The Regional Community. Such improvements could be implemented through mandated delivery of training opportunities or subcontracting opportunities within the University's area. Where possible and proportionate, such clauses may be included in procurements below £4m.
- For each procurement, RGU will consider the community affected by the resultant contract and ensure any affected organisations/persons are consulted (e.g. impact on service for students, or a local contract that could be combined with other similar institution's needs). Such consultation will always be on a scale and approach relevant to the procurement in question.
- RGU recognises the values of a well-motivated and dedicated workforce both in its own organisation and in those of its suppliers. Where relevant and proportionate, the institution will consider the fair work practices of suppliers in its procurements, including application of the Living Wage.
- RGU is committed to contracting only with suppliers that comply with all appropriate and relevant legislation, including Health and Safety legislation. Where appropriate, and on a contract by contract basis, the University will assess the legislation applicable to a procurement and take steps to ensure bidders comply with such legislation. Where proportionate, the University may assess such compliance of subcontractors also.
- RGU supports the sourcing of goods that are fairly and ethically traded. Where relevant it shall make use of appropriate standards and labels in its procurements to take account of fair and ethical trading

considerations, and will consider equivalent offerings from suppliers in its tenders.

- RGU will find practical ways to supply healthy, fresh, seasonal, and sustainably grown food which represents value for money whilst improving the health, wellbeing and education of our teaching and learning communities, coupled with promoting the highest standards of animal welfare. The University will work to put in place affordable contracts, which meet the nutritional requirements for food for all users of our catering services.
- RGU complies with the Late Payment legislation and will review on a contract by contract basis whether such obligations should be enforced and monitored further down its supply chain.
- RGU will undertake regulated procurements in compliance with the sustainable procurement duty of the Procurement Reform Act. Consideration of environmental, social and economic issues and how benefits can be delivered through the procurement will be made, where appropriate and on a contract-by-contract basis. The University will utilise available tools and systems such as Prioritisation, Life Cycle Impact Mapping, Sustainability Test, Flexible Framework, APUC's Code of Conduct, Sustain and Electronics Watch where relevant and proportionate to the scope of the procurement.
- RGU will conduct all regulated procurements in compliance with EU Treaty Principles of equal treatment, non-discrimination, transparency, proportionality and mutual recognition.
- RGU will take steps to make it easier for smaller businesses to bid for contracts. Legislative constraints preclude preferences for only local suppliers but the local dimension can be addressed through the structure of tenders, the use of Public Contracts Scotland and Quick Quotes, training and information to build capacity and publishing a contracts register to highlight contracts for which local organisations may be interested in bidding.
- RGU shall utilise portals including PCS and PCS-T to publish its procurement opportunities and shall strive to ensure appropriate use of lotting, output based specifications and clear evaluation criteria to ensure the procurement is accessible to as many bidders as possible.
- University staff involved in purchasing, at whatever level, will act ethically at all times.
- Any employee who makes an unauthorised purchase is personally responsible for payment of any costs incurred. Disciplinary action may also be taken which may lead to termination of employment.

5.2 Value for Money and Collaboration

- The primary objective shall be to meet our needs for goods, services and works in a way that achieves value for money on a whole-life basis and generates benefits not only to the University but also to society, the economy and the environment.

- RGU Procurement will analyse third party expenditure, identify 'EU regulated procurements' [goods and services worth more than £164,176 works worth more than £4,104,394] and 'lower value regulated procurements' [goods and services worth more than £50,000, works worth more than £2 million].
- RGU Procurement will sort regulated procurements into procurement categories. How these goods, services and works are bought - joint purchasing, use of local, regional and national framework agreements, consolidated contracting – will be subject to annual review with APUC and through user consultation, optimal category strategies agreed, sensible aggregation opportunities exploited, category and commodity strategies developed, recorded and the most appropriate procurement routes to market chosen.
- RGU will make appropriate use of collaborative contracting arrangements (e.g. national, sectoral or local framework agreements or contracts) to deliver improved contract terms, contract and supplier management, sustainable procurement outcomes and value for money.
- RGU will ensure that it awards regulated procurements only to businesses [and sub-contractors] that are capable, reliable and, where relevant, that can demonstrate that they meet high ethical standards and values in the conduct of their business.
- In making regulated procurement contract awards, quality, risk and sustainability factors will be considered along with cost according to declared score weightings on a contract-by-contract basis.

5.3 Operational Responsibilities

- The Procurement Department will support all Schools and Departments in their duty to procure goods and services in line with value-for-money criteria, within the decentralised procurement structure.
- Purchasing activity will adhere to a value threshold system, whereby contract value dictates the procurement process.
- Staff development and training opportunities will be provided for all those involved in purchasing, at whatever level.
- Through the Finance and General Purposes Committee, the Director of Finance will report annually on the effectiveness of purchasing within the University, using appropriate performance indicators.
- In addition, this Policy and its supporting Procedures shall be subject to review and assessment by the Audit Committee in discharging its duties relating to assessing internal control systems.
- Any significant breach of this Policy or the supporting Procedures will be reported immediately to the Director of Finance who will take appropriate action.

6 Legality, Compliance and Ethics

6.1 Legality and Compliance

This section is intended to provide an outline of the law which applies to the University's dealings with companies and other organisations. It does not cover all legal matters and advice on any legal issues relating to University procurement should, in the first instance, be sought from the Procurement Department which will liaise as appropriate with the University Solicitor.

One of the many legal definitions of a Contract is "an agreement which gives rise to rights and obligations that the law will enforce". The University enters into contracts with the intention that they shall be legally binding. It therefore follows that, should a dispute arise which cannot be settled between the two parties, e.g. the University and a supplier, it may have to be settled by a Court.

Purchase orders placed by the University are legally binding contracts. The University can therefore be sued in the event of a breach. In the course of day-to-day procurement, staff are therefore constantly committing the University to the performance of obligations under legal contracts. This is easily overlooked but it should be remembered that we are working within a legal framework which holds us accountable as well as providing protection.

A contract may take a number of different forms:

- It may be made verbally
- It may be made by actions of the parties
- It may be made in writing

Although the law does not require contracts to be written, all University contracts should be in writing. This is to ensure that:

- The requirements of the University are clear
- The duty and obligations of both the University and the supplier are clear
- The terms of the contract are clear

It is important to remember that contracts can be legally created and amended by word of mouth or by conduct. Care should therefore be taken in all activities with suppliers or prospective suppliers that your words or actions do not make or change a contract unintentionally. It is essential that any agreement reached over the telephone, for example, is recorded in writing giving the other party the opportunity to agree or dispute the record, thereby clarifying the precise terms of the contract.

There are a number of laws which regulate contracts for the supply of goods and services. The most significant is the Sale of Goods Act (1979) which imposes strict liability on the Seller. This Act imposes a number of obligations on the seller which are implied in every contract unless the seller specifically excludes them. These principally are:

- Sale by description goods must meet their description or be in accordance with any sample supplied.
- Merchantable quality they must be fit for the purpose for which they were bought having regard to the

description, price and all other relevant circumstances.

- Fitness for purpose they must be designed and manufactured to a standard fit for the end use which the buyer has stated they must serve.

The Act also imposes a test of reasonableness on the contract's terms which must be fair and reasonable having regard to all the circumstances which were, or ought to have been, known to the parties when the contract was made.

Because of the legal rights and obligations created by contracts, the University has a Contracts Policy which exists in order to effectively manage any associated risks. All contracts covered by the policy must follow the detailed procedures therein.

6.2 Ethics

The University embraces and endorses the highest principles with regard to ethics and has a commitment to observe the highest standards of probity and propriety in all its business transactions. Any member of University staff involved in the procurement process should promote this commitment by maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the University.

The University has also articulated an anti-bribery and corruption statement which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company. The full statement is included within the university's ethics policy which can be accessed at:

<http://www.rgu.ac.uk/about/governance/policies-and-legal/general-policies>

6.2.1 Disclosure of Interest

In accordance with the University [conflict of interest procedure](#), all staff are expected to follow the procedures for ad hoc and annual declarations of interest. This includes disclosing relevant interests in the university's register of interests which is maintained by the executive director of human resources.

All staff are responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly. In particular, any member of staff with purchasing authority must declare any interest held in any company which supplies goods or services to any part of the University or in any company which could be considered as a potential supplier and no person shall be a signatory to a university contract where he or she also has an interest in the activities of the other party.

6.2.2 Receiving or Offering Gifts or Hospitality

It is an offence for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff are:

- The conduct of individuals should not create suspicion of any conflict between their official duty and their private interest.
- The action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with which they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.

Thus, members of staff should neither accept nor offer any gifts, rewards or hospitality (or have them given to or offered by members of their families) from any organisation or individual with which 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 offering or accepting such gifts or hospitality. The frequency and scale of hospitality offered or accepted should not be significantly greater than would be expected as a part of normal business relationships.

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the relevant head of department or the director of finance. For the protection of those involved, the director of finance will maintain a register of gifts and hospitality offered or received where the value is in excess of £100. Members of staff offering or receiving such gifts or hospitality are obliged to notify the director of finance promptly.

6.2.3 Confidentiality and Accuracy of Information

The confidentiality of information received in the course of duty should be respected and specific details of suppliers' offers must not be divulged to competitors. Information given in the course of duty should be honest and clear, should never be designed to mislead and should never be used for personal gain.

6.2.4 Competition

The nature and length of contracts and business relationships with suppliers can vary according to circumstances. Whilst bearing in mind the potential advantages to the University of maintaining a continuing relationship with a supplier, any arrangement which might, in the long term, prevent the effective operation of fair competition should be avoided.

7 Value for Money & Collaboration

7.1 Value for Money

Value for money (VFM) is not about achieving the lowest price. It is about achieving the optimum combination of whole life cost (see 7.1.1) 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 a 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 – minimising 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 unless there are convincing reasons not to do so. The form of competition should be appropriate to the complexity and value 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. The University has its own published thresholds (Section C 13.2) above which stated procedures must be followed.

7.1.1 Whole Life Cost

Whole life costing takes account of the total cost of a product or service over its life from determining the need for it through to its eventual disposal and replacement. For equipment, for example, it includes the costs of maintaining and operating the product, as well as the purchase, hire or lease price; the cost of consumables, utilities, training and the cost of disposal or the potential sale value at the end of its life. In some cases the elements, which are difficult to calculate (life expectancy, accuracy, ease of use, speed etc), are of paramount importance in making the final choice. For services, costs such as full budget costs, overtime, staff training etc, need to be considered when evaluating a service contract or comparing in-house costs against those of buying in the service from an external provider.

Research has shown that the purchase cost of equipment is often only a small proportion of the costs of operating it. Likewise, the costs of running and maintaining an office building over its lifespan can be considerably more than the cost of building it. It is important therefore to take all these whole-life cost elements into consideration when making contract award decisions. As with other aspects of procurement, there will be a need to balance the work undertaken to reach such a decision with the value and risk of the proposed procurement.

Whole life costing should be applied at a strategic level to assess different options (do nothing, new build or refurbishment) as part of an options appraisal exercise in, for example, major works projects. It should also be used to compare the costs of buying, renting or leasing an item of equipment.

Whole life costing provides a framework for comparing different aspects of a procurement objectively. It requires the people involved in the procurement decision to specify from the outset the technical specification, what will be required to support it and for how long.

7.2 Collaboration

One of the most significant VFM opportunities that exists is the one of collaboration across the sector. In the HE community the decision to buy and the power to contract rests at University level, and budgetary responsibility is devolved further to the various Schools and Departments within RGU. Clearly this fragmented purchasing authority can dilute purchasing power but recognition of this has stimulated the development of University-wide purchasing contracts, HE/FE sector agreements and even national public sector agreements across Scotland and the UK.

As set out in the Statements of Policy, the University actively participates in the creation of such purchasing arrangements in co-operation with other institutions and uses these contracts wherever appropriate.

There are many advantages. Some of the most important are as follows:

- Better utilisation of procurement resources and skills
- Aggregation of spend to create greater purchasing power which in return results in improved cost savings
- A more efficient and less complex interface to suppliers and reduced duplication of effort

Indeed, following the McClelland Review of Public Procurement in Scotland, collaborative procurement was recommended as an imperative requirement. To help achieve this, commodities and services across the whole public sector in Scotland are now categorised into three main groupings. These groupings define how and by whom contracts are established.

CATEGORY A - NATIONAL CONTRACTS

A relatively small number of high-value and/or high-commonality goods and services are classified as Category A items and these are provided by call-off from a National Contract. These contracts are established centrally for the public sector in Scotland by a procurement "Centre of Expertise" positioned within the Scottish Government's Procurement Directorate (Scottish Procurement). Having been awarded on behalf of the public sector in Scotland by the above Centre, these contracts are generally to be used on a mandatory basis by all units funded or owned by the public sector in Scotland irrespective of legal or other relationships with the Scottish Government.

These Category A goods and services are those that would be most logically procured by one centre for the country's public sector, where the goods or services tend to be standard or of a similar nature across the largely common

requirements of users in the public sector in Scotland, eg energy, telecoms, IT hardware etc.

Scottish Procurement also facilitates access to UK National public sector contracts such as those established by GPS (Government Procurement Service).

CATEGORY B – UNIVERSITY/COLLEGE SECTOR CONTRACTS

A number of high-value commodities and services that tend to be unique to the HE/FE sector, yet common across all universities and colleges, are categorised as Category B. These items or services shall be provided by call off from common "sector specific" contracts. These contracts are established centrally within the sector rather than have individual universities performing the same function multiple times and without any advantage of procurement volumes or value consolidation. Therefore, a Centre of Expertise in procurement has been established for the University sector so that teams of "commodity experts" can be concentrated on goods and services demanded on a cross-sector basis. The Centre of Expertise for Scotland's universities and colleges is called APUC (Advanced Procurement for Universities and Colleges). When contracts are developed and established for the category B items, their use shall generally be mandatory across the University/College sector.

CATEGORY C - GENERAL CONTRACTS

Where commodities and services are neither categorised as A (National Contracts) nor as B (HE/FE Sector Contracts) then they will automatically be classified as Category C where the establishment of contracts will be conducted within the remit of the University.

It should be emphasised that the University's Procurement Department shall not normally involve itself in developing separate contracts for Category A and B items. It shall however, as part of its responsibility, work with the relevant Centres of Expertise to ensure that A and B contracts satisfy its own local users needs.

CATEGORY C1 - LOCAL/REGIONAL CONTRACTS

There is an additional opportunity within Category C goods and services for local or regional collaboration. This is where items that do not merit consolidation as A's or B's could be consolidated in a region to the benefit of purchasing power and the optimisation of resources. A local Aberdeen consortium exists to this end, comprising both Universities, North East Scotland College, Aberdeen City and Aberdeenshire Councils and NHS Grampian.

8 Operational Responsibilities

8.1 Responsibilities of the Procurement Department

The overarching role of the Procurement Department is to deliver value for money from external resources. Its responsibilities include;

- Developing procurement strategy and policy
- Maintaining and communicating the University's procurement procedures
- Reviewing/managing strategic supply arrangements (generally defined as those with high profile, value, commonality, importance or risk) and capital expenditure
- Providing information and advice on purchasing contracts and agreements
- Managing the procurement process
- Monitoring compliance with standards
- Facilitating the activities of the University's Procurement Network
- Conducting tenders and advising Schools and Departments on tender procedures
- Contract management and provision of information and advice on contractual matters
- Developing staff with procurement responsibilities
- Reporting on RGU procurement performance
- Representing the University on local, regional and national procurement bodies
- Developing, monitoring, and facilitating use of all University purchasing systems

8.2 Responsibilities of Schools and Departments

The responsibility for ensuring good purchasing practice within Schools and Departments is delegated to the Head of School or Department. These responsibilities include;

- Ensuring that purchasing activity within their area of responsibility is conducted in line with all relevant Policies, Procedures and Regulations;
- Nominating appropriate staff member(s) to act as Procurement Coordinator for the School or Department
- Validating the needs of end users and requisitioners
- Subjecting suppliers to competition where required through the quotation/tender process and offering equal opportunity

- Assessing offers against objective criteria including whole life costs, fitness for purpose, availability and running costs
- Appraising quality and performance of goods and services purchased
- Ensuring the use of existing agreements and contracts
- Ensuring purchasing activity is appropriately authorised as detailed in section 8.3

Any delegation of authority of the above to others does not absolve the delegating officer of the responsibility for the proper execution of the purchasing process.

8.3 Authorising Purchasing Activity

Heads of School or Department are also responsible for the proper delegation of authority to commit University funds. No commitment of University funds may be made without first ensuring that sufficient funds to meet all costs have been reserved.

Details of those persons who are authorised to commit the University to expenditure should be clearly defined and documented by the completion of the '*Authorised Signatory form F10*'. These forms are available from the Financial Services Systems Administrator or from the Financial Services website.

University Financial Procedures must be applied when an order is placed (i.e. there must be a segregation of duties between the originator of the order and the authoriser of the order).

An official purchase order must be raised for all goods and services supplied to the University by external suppliers. The only exceptions are:

- Orders with a value of less than £1000 BUT ONLY IF the order is a one-off transaction and there is not a suitable supplier already on the PECOS purchase order system – use purchasing card or F4.
- Office stationery and consumables etc (under £1000) – use purchasing card
- Travel and accommodation - use ABS form and F4
- Items under £50 - petty cash
- Public utilities such as electricity, gas and water – use F4
- Telephone bills (landline and mobile) – use F4
- Mail, postal and courier services – use F4
- Fuel for University vehicles – use fuel card
- Hire of contract taxis – purchasing card or F4
- Library books, journals and periodicals – Library system

A formal written contract may additionally be required if the order meets any of the criteria in the [Contracts Policy](#).

9 Scope and Exclusions

This policy and the associated procedures apply to all staff within The Robert Gordon University engaged in purchasing. All University entities, including group companies, will adhere to the general principles of this Policy.

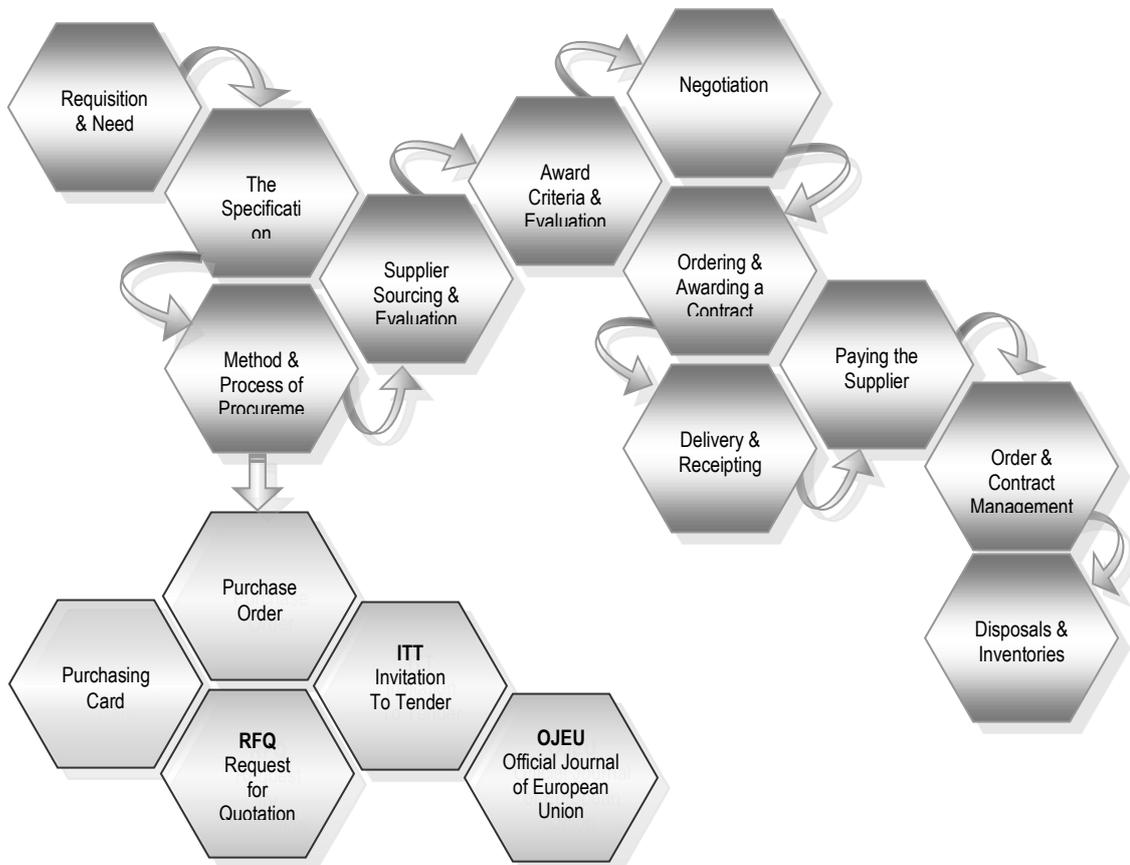
Separate procedures apply to contracts of employment prepared under the authority of the Director of Human Resources.

In exceptional circumstances, the University's best interests may be served by minor variations in the operation of these Policies and Procedures. Such variations must be authorised formally by the Director of Finance or an appropriate member of the Strategic Planning and Resources Group.

C Procedures

10 The Procurement Cycle

All procurements regardless of their value or complexity follow a standard sequence of actions - the procurement cycle. The procurement cycle starts with identifying the need for a product or service through to payment, contract management and disposal. For low value, routine purchases the process is straightforward and the time spent on each stage can be minimal, however as the value, risk and/or profile of the requirement increases so does the complexity, formality and the time to be spent at each stage of the procurement cycle.



The following sections (11-21) provide more detailed information on the procurement cycle.

11 The Requisition and Need

- 11.1** The purchasing process, regardless of value or complexity, commences with the identification of the requirement. There are many people throughout the University who may need to acquire goods or services to perform their particular function but any requirement must ultimately be communicated to the appropriate local Procurement Co-ordinator or to the central Procurement Department who will advise the correct procurement route (Section 13).
- 11.2** It is necessary to firstly ensure that the need is genuine or that it cannot be satisfied in some other way. Requisitioners and buyers should therefore seek validation of the need at the first stage.
- 11.3** Requisitioners are responsible for ensuring that enough time has been allowed for the procurement and delivery of the goods or services and for supplying an adequate and appropriate specification.
- 11.4** Requisitioners may include details outlining their preferred supplier(s) but the Procurement Co-ordinators/Procurement Department will be obliged to follow the relevant procurement process based on the order content and value.

12 The Specification (or Brief)

12.1 A specification is a 'statement describing the characteristics of the goods or services that the user wishes to acquire and consequently which the supplier is expected to provide'.

Generally, a formal specification is only prepared when the user requirement is complicated or challenging. Otherwise a full description of the requirement is usually sufficient.

Where it is considered necessary, its purpose is to present suppliers with a clear, accurate and full description of the University's needs, thus enabling the suppliers to propose a solution to meet those needs. For simple procurements the specification may be straightforward and uncomplicated but for more complex procurements the brief will have to be sufficiently detailed containing the key requirements and outputs.

A good specification should have the following content:

- A clear title
- A full description of each element
- A further definition of each aspect of the requirement in one or two paragraphs.
- Details of the functional, performance and, where appropriate, technical characteristics required of the goods or services
- Details of any requirements in respect of delivery, installation, documentation, training and maintenance
- Generic terms rather than specific supplier references or brand names. Refer to the characteristics of a product as it is not permissible to specify a particular product brand
- Details of the need to comply with any legal obligations, quality standards and/or health and safety requirements

A good specification should take the following style:

- State the requirement completely, clearly, concisely, logically and unambiguously, generally listing the most important elements first
- Focus on outputs required without being prescriptive as to the method the supplier should use to provide it (output specification)
- Be sufficiently tight so that the product or service fits the user's needs, but not so explicit that it discourages the supplier from proposing innovative solutions that optimise Value For Money (VFM)
- Contain enough information for potential suppliers to decide and cost the goods or services they will offer
- Permit offered goods or services to be evaluated against the defined (and stated) evaluation criteria by examination, trial, test or documentation
- Provide equal opportunity for all potential suppliers to offer a product or service which satisfies the needs of the user and which may incorporate alternative technical solutions
- Use simple language (do not expect the specification to be read by experts, write it so that a layman will understand) and define terms, symbols and acronyms

- Include service levels and a process for measuring ongoing performance

A good specification should **NOT**:

- Over-specify the requirements (more than is actually required)
- Contain features that directly or indirectly discriminate in favour of, or against, any supplier, product, process or source. Discrimination on any grounds is improper and will not achieve the goal of value for money.

The Specification is a key procurement document. When one is appropriate, it forms the basis against which the successful supplier will be chosen and will become incorporated into the contract setting out what the supplier will deliver. It should therefore receive a final review before issuing to the relevant supplier base to ensure that:

- The requirements are complete and accurate
- All stakeholders needs have been taken into account
- Future developments have been taken into account
- The requirement is deliverable

Further information on Specifications is available at: <https://www.procurementjourney.scot/node/18> However, the specification for any procurement should reflect the requirements of the University and the circumstances of the procurement.

12.2 Sources of Information and Help

To achieve the desired outcome, preparation of a specification should involve close and continuous communication between all interested parties. Early consultation with relevant colleagues will help you refine the specification to a level where all the necessary detail is included for the suppliers to understand and to develop a solution to meet your requirements.

Developing the requirement will raise issues which your Procurement Coordinator may be able to assist with as they may have experience of procuring the particular goods or services and the knowledge to advise on the most appropriate type of specification – they may also have access to existing similar specifications.

13 **Method and Process of Procurement**

13.1 **The Competitive Process**

There is an inherent obligation to obtain value for money (VFM) in terms of the goods and services procured by the University and to demonstrate that what was offered by the selected supplier provided better VFM than offers from other potential suppliers. This can only reasonably be achieved by inviting competitive quotations (for lower value goods/services) or tenders (for higher value goods/services) in accordance with the thresholds outlined at 13.2.

Please note the above quotation/tender process is not necessary when an order is to be placed with a supplier who is already a contracted supplier, although you may have to run a mini-competition between such suppliers on a framework agreement. Use of University, HE sector or national public sector contracts is mandatory where they are available and relevant (details of all such contracts are available within the [APUC Buyers Portal](#) – please contact Procurement for further guidance if required).

- A **quotation** (or request for quotation – RFQ) is a simple process using [standard documentation](#) to investigate the availability of suppliers for a required product and to identify the prices, delivery timescales etc for the product. This approach is appropriate to lower value purchases.

The supplier is asked to provide a written offer and the buyer selects the successful supplier by comparing offers. Selection in most circumstances will be based on the lowest cost.

There may exceptionally be a quotation preferred which is **not** the least expensive. There may be valid reasons for this selection but an outcome of this type **must** be justified and documented in every case.

- A **tender** (or [invitation to tender – ITT](#)) is a much more detailed and robust process used to investigate the suitability of suppliers for the product/service needed and to identify/evaluate the prices, quality, maintenance, support and other relevant criteria. The offers must be evaluated against all the published criteria which shall be weighted according to their relative significance.

This approach is a more formal method of requesting quotations, resulting in a written response being submitted by the suppliers by a specific date. The process of supplier selection is tightly controlled so the evaluation is clearly seen to be impartial. This process is likely to result in a formal contract in line with the requirements of the Contracts Policy at <http://www.rgu.ac.uk/about/planning-and-policy/policies/policies> - then click on 'Planning, Finance and Estates'.

Higher value procurements (>£164K for supplies and services, and £4.1M for works) are subject to competition/tender under the EU Public Procurement Regulations. Any requirement covered by the EU Rules should always be referred to the Procurement Department for advice and action.

Procurements of value £50K-£164K for supplies and services, and of value £2M-£4.1M for works, are classed as 'Regulated Procurements'

under the Procurement Reform (Scotland) Act 2014. These must also be referred to the Procurement Department for advice and action.

The use of quotation and tender procedures serves two main purposes:

- To endeavour to identify potential suppliers that are capable of supplying the required product/service:
 - to a quality that meets the needs of the user
 - at a price that represents value for money
 - at the time the goods or services are needed by the user
 - in a quantity that meets the needs of the users, and
 - to the location required by the user
- To provide evidence of the user applying fair, open, transparent and non-discriminatory methods of placing business with the suppliers used by the University. The procedures provide protection to the buyer carrying out the procurement process as well as to the University

13.2 Quotation or Tender?

The decision whether to request a quotation or to issue an invitation to tender will depend upon the value of the goods and services being purchased. Thresholds are in place at the University setting out the monetary value at which a buyer must issue an ITT rather than a RFQ. The threshold at which it becomes necessary to request a written rather than an oral quotation is also shown. In setting the thresholds we have attempted to balance the costs of formal tendering against the risks of not doing so for contracts of different values.

Estimated Value of Goods or Services	Quotation or Tender?
UP to £1000	Minimum of one quotation – written or verbal.
Over £1000 but below £10,000	Minimum of two quotations (more where justified by market conditions). May be requested verbally but must be confirmed in writing.
Over £10,000 but below £50,000	The enquiry should be specified in writing and at least three written quotations must be obtained. A formal tender may be more appropriate depending on market conditions and the nature of the requirement. The Procurement Department must be notified.
Over £50,000 but below £164,000 (for supplies and services) Over £2M but below £4.1M (for works contracts)	Formal tendering process must be followed. Procurement Department must always be involved.

Over £164,000 (supplies and services)
Over £4.1M (works contracts)

These procurements exceed the threshold at which EU Rules apply and the Procurement Department must always manage the process.

NB: The estimated value of goods or services should be based on the total value of the contract, e.g. a 4-year contract worth £15,000 per year will have a contract value of £60,000 for the above purposes.

NB: In any given situation exceptional circumstances may occur. Where you genuinely believe an exception to policy should be made you must first contact the Procurement Department.

13.3 Quotations

There are two ways of requesting quotations:

- **Oral enquiries** - by phone or direct contact with a supplier for purchase values below the limit stated above. It is always preferable to obtain written confirmation of oral quotations. You should retain written records of oral quotations including the main points of any discussion.
- **Written enquiries** - [the standard Request for Quotation form](#) should be used and the requirement clearly specified.

13.4 How Many Quotes?

Competition is important. Where buyers seek competitive quotations they often place great reliance on the magic number 3. It should be stressed that this does not guarantee a good deal. If there are 50 suppliers of a product or service and a buyer asks for three quotes then statistically he has only a 6% chance of finding the best supplier and a 94% probability of missing.

One way to overcome this problem would be to issue a larger number of enquiries. There is, however, a limit to the time and resources available to process responses, thus limiting the number of quotes sought. It is, therefore, necessary for the buyer to come to a sensible compromise.

Where the University's procedures require two or three quotations, in order to receive two or three quotes back from suppliers you are advised to approach four or five suppliers in case not all respond.

13.5 Which Suppliers?

Suppliers may be identified by searching the PECOS supplier list or the register of suppliers on [Public Contracts Scotland](#) (PCS). This latter website also offers a 'Quick Quote' system to seek quotations from suppliers registered on the website – you will similarly need to register on the site. This is a simple process, but please contact any of the Procurement team if you need help registering.

Suppliers may alternatively be identified by other means such as internet searches, trade publications, local knowledge etc.

You should endeavour not to restrict your selection to the same or existing suppliers. This will help suppliers who have not previously been invited to bid to gain access to opportunities and will also facilitate competition, encourage innovation and ensure best value in future procurements.

13.6 What to include?

Any enquiry, whether written or oral, will normally need to cover:

- Specification of the requirement; quantity; required delivery (start) date; delivery address or place of work; reply-by date; price analysis request if considered appropriate e.g. breakdown of labour, material and other cost elements; terms and conditions of contract.

Any quote which shows an abnormally low price out of context may be queried with the supplier to identify the reasons for this. If this is due to a mistake by the supplier, you should consult with the central procurement team for further advice.

If quotation responses are received with alternative Terms and Conditions of contract to those you are using in the Invitation to Quote, the supplier must be informed in writing that the Terms and Conditions of Contract as originally identified will apply to the requirement. If the supplier continues to challenge the Terms and Conditions, you should seek advice from the central procurement team.

13.7 Obtaining best Value for Money

It may be possible to get suppliers to improve their offers by exploring the effects of changing demand volumes or timing, for example ask for a price breakdown and prices for different quantities, eg you could initially ask for a price for a quantity less than actually required and then ask the price for the desired quantity. You may also consider moving the demand time to suit the supplier's production schedule and ask about variations in payment terms.

13.8 Receiving Quotations

Quotation responses should be received through the Quick Quote option on Public Contracts Scotland where possible - this provides a secure receipt mechanism and a clear audit trail and is considered best practice. Please contact Procurement if you need any help with the Quick Quote process.

Where Quick Quote isn't used, you should retain the quotations on file and, for those over £10,000, you should also record the quotation responses received using the [Record of Quotations form](#).

13.9 Tender Procedures

Tendering is a formal procedure which results in the supplier submitting a sealed bid to the University. This bid is then evaluated alongside other bids by a team of people against strictly controlled criteria. The evaluation team should consist of the user or representative of the user, the buyer, and where appropriate a technical expert. The size of the evaluation team and exact composition will vary depending on the specifics.

The procedure for seeking sealed bid tenders is designed not only to obtain best value for money, but to protect the Buyer and the University in the event of any subsequent dispute or legal action by a disgruntled tenderer. The overriding principle is that all bidders must be given an equal opportunity to win the business. To this end, all invitations to tender for particular goods or services must be identical and must be distributed to the bidders using the same method at the same time.

NB If the tender value is significant, it is unlikely to be sufficient to simply select known suppliers to tender - it may be necessary to advertise the requirement to offer all potential suppliers an opportunity to participate. If the tender value exceeds £50,000, it becomes mandatory to advertise the requirement on Public Contracts Scotland – Procurement will be responsible for managing all such tenders.

There are two main forms of tendering:

- **Open tendering** – when open advertisements are posted, e.g. on the Public Contracts Scotland portal and/or the Official Journal of the European Union (where applicable), and all qualifying suppliers responding to the tender notice are invited to participate. The University must assess the tenders from all tenderers against stated minimum standards and subsequently, if they meet the minimum standards, against the award criteria set out in the contract documents;
- **Restricted tendering** – where a shortlist of suppliers is drawn up following a pre-qualification exercise and those on the shortlist are invited to participate. The University must assess the tenders from all the shortlisted tenderers against the award criteria set out in the contract documents.

Large tendering exercises will often require a site visit/meeting with potential suppliers in order to clarify and discuss the requirements/specification in more detail before bids are submitted. No favourable treatment should be given to particular suppliers and it is necessary to meet all potential suppliers/contractors so that they are given equal access to the same information.

13.10 Regulated Procurements

The University is required to tender for the provision of supplies, services and works in line with the Procurement Reform (Scotland) Act 2014 and the Public Contracts (Scotland) Regulations 2015 where the value exceeds the threshold (£50,000 for supplies/services and £2M for works). The University is required to aggregate its consumption of supplies for the purposes of identifying Regulated Procurements therefore it is not possible to avoid regulations by placing a number of orders/contracts below the threshold value.

The Procurement Department must be contacted for advice and action on all tenders which are likely to exceed the Regulated Procurement thresholds.

13.11 Invitations to Tender (ITT)

All documents and correspondence from suppliers relating to tenders are confidential and must be treated accordingly. Information in a tender document must not be discussed with or disclosed to another tenderer. Equally, if there are any changes to the specification or other changes to the ITT, it is necessary to contact all potential tenderers and inform them of the changes.

The Freedom of Information (Scotland) Act 2002 provides a general right of access to recorded information held by a public authority and places two general duties on the University: to confirm or deny that it holds the information, and if it does hold the information, to give the person requesting it access to it. The Act provides that the above general duties are subject to exemptions – some being absolute exemptions and some being exemptions which are to be subject to a public interest test.

13.12 ITT Documentation

The documentation which normally forms part of an invitation to tender is available from the Procurement Department. It will include:

- A letter of invitation; tendering instructions and conditions; form of tender; conditions of contract; and a statement of requirements - see [model document](#).

The contracting School/Department would be required to provide the statement of requirements (specification) and any other specification-related documents, e.g. drawings etc.

13.13 Timing

It is important that those invited to tender are allowed sufficient time to put together a comprehensive response. **Where EU Procurement Regulations apply**, minimum periods are defined as below:

Tender Procedure	Time-Limits
Open Procedure	The minimum time-limit for the receipt of tenders is 35 days from the date on which the contract notice is issued. This can be reduced to 30 days by using electronic means to publish the Notice and by making the documents available online.
Restricted Procedure	The minimum time-limit for receipt of requests to tender is 30 days from the date on which the contract notice is issued. A further 30 days must then be given to shortlisted suppliers after issue of tender. These can be reduced to 30 and 25 days respectively by using electronic means to publish the Notice and by making the documents available online.

When calculating the time-limits, consideration should be given to the statutory “standstill” period of 10 days between notification of outcome and contract award, when unsuccessful tenderers may challenge the award decision.

For procurements other than those covered by the EU Regulations, the time allowed for suppliers to respond to a tender notice and ITT should take account of the complexity of the requirement and the time required to compile a tender response. Other points to consider include:

- The required start date or delivery time
- Whether time will be needed for supplier visits or presentations following the receipt of tenders
- Whether time will be needed for post tender clarification
- The need for sample inspection or testing

13.14 Bid Validity

Enquiries and ITT’s should specify the length of validity period required by taking account of the time needed to complete the evaluation process and award a contract. Where the requested validity period becomes exceeded, bidders should be requested to re-validate their offers for a further stated period.

Validity times should be realistic but not excessive to avoid tenderers ‘padding’ their prices to compensate for unforeseen eventualities such as exchange rate fluctuations.

13.15 Receipt of Sealed Bids

On receiving hard-copy tender responses the recipient must record the date and time of receipt on the envelope and store the tender unopened in a secure place until the appointed date and time of its opening.

13.16 Modification or Withdrawal

Tenders may be modified or withdrawn by the supplier up to the deadline for opening. Modifications or withdrawals should be made in writing and a record kept of their receipt. Modifications should be received and treated in the same way as tender responses.

13.17 Extension of the Closing Date

An extension of the closing date should only be authorised under exceptional circumstances. All potential suppliers should be notified of any extension and agreement sought from the user department. If on the date specified for receipt of tenders few have been received, telephone enquiries to suppliers should be made to ascertain whether the tenders concerned have been despatched.

13.18 Opening Tenders

Tenders should be opened as soon as possible after the stipulated deadline for receipt. Where tender submissions are invited in hard-copy, the formal opening must be witnessed, as a minimum, by a member of the central Procurement team and a senior member of staff from the Contracting Department (see details below). A record must be kept using the [Tender Opening Form](#).

Where tender submissions are received electronically, the 'unlocking' of the mailbox will be carried out by a member of the central Procurement team and must be witnessed, as a minimum, by a senior member of staff from the Contracting Department. A record must be kept using the [Tender Opening Form](#).

Tender opening requirements (minimum) are given below:

HARD COPY TENDERS (Non Works)

Up to £100,000

A member of the Procurement Department
A senior staff member from the contracting School/Department

Over £100,000

A member of the Procurement Department
A senior staff member from the contracting School/Department
A SPARG member

HARD COPY TENDERS (Works)

Up to £500,000

A member of the Procurement Department
A senior staff member from Estates and Property Services

Over £500,000

A member of the Procurement Department
A senior staff member from Estates and Property Services
A SPARG member

SOFT COPY TENDERS (via PCS - only permissible up to £500,000)

NON-WORKS

Up to £100,000

A member of the Procurement Department
A senior staff member from the contracting School/Department

£100,000-£500,000

A member of the Procurement Department
A senior staff member from the contracting School/Department
A SPARG member

WORKS

Up to £500,000

A member of the Procurement Department
A senior staff member from Estates and Property Services

13.19 Late Tenders

Where hard-copy tenders are received after the closing date they are to be returned unopened to the supplier marked 'Too Late for Consideration' and covered by an explanatory letter. PCS does not permit the submission of late soft-copy tenders and bidders are advised of such by the PCS system.

13.20 Notification of Outcome

On identification of a preferred supplier, a letter of intention to award (subject to any contractual/legal issues) should be issued to the relevant tenderer. All unsuccessful tenderers are also to be notified in writing as to the outcome of the written bids. We are obliged to give them full details of how the outcome was reached such as their score and ranking, the name and score of the successful supplier and the relative characteristics of the winning tender.

13.21 Purchase Order or Contract

On reaching full and final agreement, a purchase order with the University's Conditions of Contract should be issued or a formal contract, subject to the University's Contracts Policy, should be duly signed by both parties.

14 Supplier Sourcing and Evaluation

Please note the supplier sourcing/evaluation process is not necessary when an order is to be placed with a supplier who is already a preferred supplier having been successful in a wider University, Sector or National tender exercise. Indeed it is generally mandatory to use such existing public sector agreements which you can see detailed in the [APUC Buyers Portal](#)

14.1 **RGU Supplier database**

Suppliers who meet the University's selection criteria will already be registered on the University's Purchase Order System (PECOS). This will detail the suppliers who generally meet or exceed the financial, commercial and qualitative requirements defined by the University. Many of these suppliers will have formal contracts, the details of which are available on the [APUC Buyers Portal](#). Others may have less formal contracting arrangements but all will have been subject to the University's Supplier Set-Up process.

Purchase orders should only be placed with suppliers on the PECOS system and the addition of a new supplier should be an exceptional action if a suitable supplier already exists on the system. Sourcing of a new supplier should therefore only occur when, for some reason, the University wishes to make an enquiry to a supplier not registered on the database. This may be because there are insufficient appropriate suppliers on the supplier database or as a market testing exercise. If this results in the requisitioner/buyer seeking the introduction of a new supplier, the Procurement Department will process the application.

14.2 **Supplier Sourcing**

Sourcing is the process of identifying suppliers who have the capability, capacity, commitment and financial viability to meet the requirements of the University.

The processes involved in the identification and evaluation of a potential supplier should establish whether or not it is prudent to deal with that particular organisation. If sourcing is carried out well the risk and implication of the failure of supply are reduced.

Rigorous supplier selection is important for high-risk/high spend areas because:

- It enables a wider range of suppliers to be identified within each market, thus helping to ensure value for money
- It reduces the risk to the University of a supplier failing to meet contractual obligations.

It is rarely the case that a requirement can only be met by a single supplier. However, where this is believed to be the case, full details must be submitted to the Finance Director who will consider the application.

14.3 Identifying and evaluating possible suppliers

There are several ways of identifying potential suppliers to obtain competitive bids from for the required goods and services. The amount of effort (market research) spent on identifying potential suppliers will depend on the estimated value of what is required:

- **Lower value** – Public Contracts Scotland website, local knowledge, previous suppliers, trade journals, business directories, visits from sales representatives, peer group networks (e.g. procurement network);
- **Higher value (over £50k) but below EU Thresholds** – the requirement must be advertised on www.publiccontractsscotland.gov.uk to ensure adequate visibility and accessibility;
- **Value above the EU Thresholds** – the requirement must be advertised in the Official Journal of the European Union (OJEU). It may also be advertised locally or on the University's procurement web-pages; however these latter advertisements must not be published before the advertisement has been despatched to the OJEU and must not contain any additional information to that contained in the OJEU advertisement.

Where there is a need to prepare a short-list of suppliers from a longer list, this must be completed in a fair and transparent manner. In such cases, the University should publish any minimum standards required of suppliers (Open process, 10.9) or additionally seek relevant information in the form of a Pre-Qualification Questionnaire (Restricted process, 10.9) which can then be scored and enable the formation of a legitimate shortlist. Any such shortlisting would generally only be required for formal tenders and the process would therefore be managed by the Procurement Office.

14.4 Inclusion of supplier on the RGU Purchase Order system

A supplier must be approved for inclusion on the University's Purchase Order System before a purchase order can be raised. You should refer to the [supplier set up policy](#) (and [application form](#)) for guidance.

15 Award Criteria and Evaluation

A request for quotation or an invitation to tender will generally elicit a response from suppliers. This should be evaluated to assess the extent to which the response meets the requirements set out in the specification. The evaluation criteria set out how this will be achieved and should be developed in parallel with the specification to ensure all information needed for evaluation is requested from the supplier and provided in a form that matches the award criteria.

15.1 Award Criteria

The award criteria enable the University to evaluate submissions in a fair and transparent way. The process of evaluation will be based on award criterion that demonstrates the most economically advantageous tender (MEAT).

Most Economically Advantageous Tender (MEAT)

In using MEAT criterion, it will be necessary to evaluate bids on a methodical model, that is and is seen to be, fair and transparent. As well as price (or whole-life cost), this method takes account of the qualitative, technical, functional and other aspects of a tender submission.

There are a number of criteria that can be used, e.g. price (or whole-life cost); quality; technical merit; aesthetic and functional characteristics; methodology; after-sales service and technical support.

The RFQ, ITT and EU contract notice must indicate that the MEAT criterion will be used to award the contract.

15.2 Evaluation of Quotations

Quotations should be evaluated according to the criteria most relevant to the requirements identified in the specification. A record of the quotations and the outcome should be maintained as outlined at 13.8.

15.3 Evaluation of Tenders

Tender evaluation should be carried out by the tendering team and should be seen to be systematic, thorough and fair. Its purpose should be to achieve a strict comparison of values, taking account of individual strengths and weaknesses and variations from the specification provided. The evaluation criteria should be developed in parallel with the specification, i.e. the most economically advantageous tender.

Tenders may be scored by stakeholders individually or they may jointly allocate scores to each tender. Decisions and reasoning must be recorded.

15.4 Tender Evaluation Methodology

There are a number of mathematical based systems that can be used to allocate scores on how a submission meets each stated criterion. The criteria are normally weighted, i.e. ranked in order of importance. These scores are then added together to give a final score for the submission. The contract is then awarded to the submission with the highest score.

The relative weighting of each criterion used to assess the submissions must be stated in the RFQ or ITT.

In practice, the tender document will contain a list of criteria against which each submission will be assessed. In its simplest form, marks are allocated out of 10 for each criterion, then added together and a total score obtained. It is more likely, however that there will be a preference or weighting given to each of the criteria. For example, in a consultancy requirement, it may be agreed that the quality criteria are more important than the actual price, and a weighting of 80:20 may be used for quality:price, i.e. the total quality scores are multiplied by 80% and the price scores by 20%. (See Table 1)

Table 1 – Allocating Scores

Criteria	Supplier A	Supplier B	Supplier C	Supplier D
Quality Score	83	88	91	74
Relative Quality Score ¹	91.21	97.70	100	81.32
Financial (Price)	£10,500	£10,350	£11,750	£9,900
Relative Financial Score ²	94.28	95.65	84.25	100
Composite Technical ³ (Relative score*80%)	72.97	78.16	80.00	65.06
Composite Financial ³ (Relative score*20%)	18.86	19.13	16.85	20.00
Final Score ⁴	91.83	97.19	96.85	85.06

¹ The highest quality score (Supplier C) is allocated 100 points and the others given a relative score using the formula (supplier's score/highest score) x 100 e.g. Supplier A is $(83/91) \times 100 = 91.21$.

² The lowest price, Supplier D, is allocated 100 points and the others given a relative score using the formula (lowest prices/Supplier price) x 100, e.g. Supplier A is $(9900/10500) \times 100 = 94.28$.

³ The scores are then adjusted using the set weightings for quality and price, i.e. 80:20. So, again for Supplier A, the technical score is adjusted to $(91.21 \times 80\%) = 72.97$ and price score to $(94.28 \times 20\%) = 18.86$. These are added together, giving an overall score of 91.83.

⁴ The highest overall score was 97.19 for Supplier B and the recommendation would be to award the contract to Supplier B.

15.5 Evaluation Report

An evaluation report should be produced for all tender exercises, and indeed must be for all EU regime procurements. It is the documentary evidence of the result of an assessment process whereby one or more competing providers' proposals proceed through to the final contractual stage of the procurement. The tender evaluation report produces the recommendation for the winning tenderer(s) to whom an award of contract should be made.

The evaluation report should contain comparative information between competing tenderers and show a comparison of each tenderers offering against the specification. The evaluation report should hold constructive,

factual and indisputable information that provides a sound basis for a debriefing meeting with any unsuccessful tenderers. The evaluation report should be based upon demonstrable evidence that is fair and equitable.

16 Negotiation

16.1 Purchasing Negotiations

Negotiation, in purchasing, is the art of arriving at a common understanding through bargaining with a supplier. Price is an important factor in the quest for value for money but other major objectives are to ensure that there is no misunderstanding between the buyer and supplier and that the supplier is fully aware of what is required. Failure to do so may cost time and money later.

The issues for negotiation may include: price; discounts; price variation clauses; payment terms; conditions of purchase; price guarantee clauses; due dates; guarantees and warranties; documentation requirements, quality assurance; inspection and testing procedures; freight rates or delivery charges; claims for shortages, damages, defects; cancellation arrangements, changes in specifications and quantities; transport and packaging.

The buyer/seller relationship should be based on mutual trust and understanding and the principles of fair competitive bidding should be observed. Where negotiation is appropriate, thorough preparation should be undertaken before starting - if nothing else be sure to establish what are your minimum acceptable outcomes on each of the negotiable issues. It is important not to let a supplier know that he is likely to get an order and other staff who may routinely be in contact with a supplier during the negotiation stage should be so advised.

The responsibility levels for all staff involved in negotiation should be clearly defined and only those who have authority to commit to the outcome of a negotiation should do so. Inexperienced buyers should not have responsibility for negotiating complex orders.

During any formal tender process, contact with potential suppliers should only be via the Procurement Department or the Procurement Co-ordinator responsible for the project.

16.2 Post Tender Negotiations (non-EU tenders)

Post tender negotiation (PTN) is defined by the Treasury as: "Negotiation after receipt of formal bids or tenders and before the letting of contract(s) with those companies submitting tender(s) offering the best value for money with a view to obtaining an improvement in content in circumstances which do not put the other tenderers at a disadvantage, distort competition or affect adversely trust in the competitive tendering process".

PTN should not be used to conduct a 'Dutch auction' between the bidders, i.e. unfairly trading one tenderer off against another. The use of Dutch auctions will undermine the University's credibility in the market place and its ability to gain value for money in the future. PTN should only be undertaken with the one or, perhaps, two bidders offering the best submissions under the stated award criteria. At all stages, the competing tenderers must be treated in an honest, fair and ethical manner, whilst retaining the confidentiality of their bids.

A detailed record of the PTN process should be kept, recording the reasons for undertaking the negotiations, the content of the negotiations and the eventual outcome. These records will form part of the audit trail and may be

subject to scrutiny by Audit and could be made public should there be a complaint from an unsuccessful tenderer.

16.3 EU Tenders

Under the EU procurement rules, there is little scope for negotiation especially in respect of the open or restricted procedures. Great care must therefore be taken. In general, negotiations should only be undertaken with the preferred tenderer (i.e. the one you intend awarding the contract to). Only if there is a complete breakdown in the negotiations and the preferred tenderer no longer has that status, would you enter into negotiations with the next tenderer as scored (ranked) during the evaluation process.

In higher value procurements, especially EU tenders, PTN should only be undertaken, with the involvement or approval of the Director of Finance.

17 Ordering and Awarding a Contract

17.1 Purchase Orders

Once the optimum supplier has been selected an order should be placed using one of the accepted methods. Telephone orders should generally be avoided as they are frequently the cause of confusion and poorly specified orders. Telephone orders placed by non-buyers often result in poor value for money.

A standard University purchase order will include or refer to the following by default:

- Supplier's name and address.
- Order number.
- The requirement (include a specification if needed).
- Price.
- Order date.
- Delivery address.
- Invoice address.
- Payment terms.
- General conditions of contract.

You may wish to add the following:

- Required delivery/completion date
- Special packaging or installation requirements
- Contact details

The order may be accompanied by a letter of acceptance referencing, where appropriate, all the quotation/tender documents and any clarifications or amendments.

Once the purchase order has been issued and accepted by the supplier, the contract is legally binding on both parties.

17.2 Contracts

Providing all the correct quotation/tender procedures have been followed and the contract has received formal sign-off from the University Solicitor, the Director of Finance, the Procurement Department and the relevant Dean/Head of School/Department and also RES (if the contract involves Intellectual property), the contract should ultimately be issued to the third party for signature. Once returned to the University, arrangements should be made for the Contract to be signed on behalf of the University by an authorised signatory. Full details are available at - <http://www.rgu.ac.uk/about/planning-and-policy/policies> (then click on "Planning, Finance and Estates")

Once the contract documentation is signed by both parties, the contract is legally binding on both parties.

17.3 Unsuccessful Bidders

Unsuccessful bidders should be informed of the outcome once the successful contractor has accepted the award. For tenders exceeding £50,000 (but less than the EU threshold), there is a requirement to provide the following details concerning the decision, e.g.

- the name of the winning tenderer
- the criteria used to award
- the scores allocated to the winning tender
- the scores allocated to the unsuccessful tender

For EU tenders, it is mandatory to provide, as a minimum, the above details in writing.

Tenderers may also request a de-briefing. There is no express requirement to provide a de-briefing for non-EU tenders but it may be appropriate depending on the circumstances. For EU tenders, the Regulations require that the University responds to any such requests as soon as possible and certainly within 15 days of receipt of a written request. On receipt of such a request, the University shall advise in some more detail:

- the reasons for its rejection
- for aspects regarding technical specifications, the reasons why the works, supplies or services offered do not best meet the performance or functional requirements
- the characteristics and relative advantages of the tender selected

For EU tenders, it is also necessary to observe a “standstill period” of 10 days between communicating the award decision to all tenderers and concluding the contract. This is to allow unsuccessful tenderers the opportunity for detailed debriefing and to decide whether they wish to mount a legal challenge to the award decision. If there is a legal challenge, the university must wait until the outcome of the proceedings before concluding the contract.

All regulated procurements must be managed throughout by the Procurement Department.

17.4 De-briefing

Debriefing unsuccessful tenderers can be a time-consuming but important part of the tendering process and can have several benefits for both parties including:

- Increased potential for improved value for money on future orders
- The University establishes a reputation as a fair, honest and ethical client
- Suppliers receive some payback for the time and money spent preparing the tender

Debriefings should be carefully planned in advance and the weaknesses (and strengths) of the supplier's tender must be carefully set out. There must not be an opportunity for the supplier to re-enter negotiations.

Under no circumstances should such things as commercial terms or innovative ideas put forward by one tenderer be disclosed to another.

18 Delivery and Receipting

18.1 Receiving Goods

The receipt of goods should be controlled in a way that allows the University to confirm the quality and quantity of goods before payment is made to the supplier.

Whenever a supplier delivers goods there will be a delivery advice note that details what has been delivered. Someone within the School or Department will, normally, be asked to sign for the goods. The signature is confirming that the goods delivered are correct and in good condition. If there is not an opportunity to check the delivery the delivery note should be signed 'Goods received unexamined by [name of recipient]'. The delivery should then be checked as soon as possible and any discrepancies or other problems notified to the supplier immediately. If the Advice Note is missing, a duplicate should be requested from the supplier.

Any problems should generally be advised within 3 days. The advice note will usually state the number of days and give details of where to notify any problems. The longer the delay in advising of any discrepancies, the more difficulty there may be in resolving the problem. Advice notes should be retained as they form part of the audit trail for the goods purchased and they may be required if there is a problem later.

A signed delivery advice note is proof that the goods or services were delivered to the University and that the supplier has fulfilled its obligations under the contract. If, for example, the goods were to be mislaid after they have been signed for, the University will be liable for their cost as the supplier will be deemed to have fulfilled the contract. Where a dedicated goods receiving point is not practical, there may be some protection in stating in the order that the goods are to be delivered to a named person, especially if delivery is not into a manned store or the central Mailroom. In certain circumstances, direct delivery to the user/requisitioner may be required, e.g. receipt of chemicals into a chemical store.

NB - The physical receipting and returning of goods should of course also be recorded on the Pecos purchase-order system.

18.2 Troubleshooting

The buyer and the user(s) should be informed if there are any discrepancies between the goods received and the original purchase order. The person placing the order should be the first point of contact for resolving discrepancies by pursuing them with the supplier.

The following are examples of some of the most common problems encountered when receiving goods. Also listed are some suggested actions by the buyer:

- | | |
|--|---|
| <p>1 - <i>The quantity delivered exceeds that ordered.</i></p> | <p>Contact the supplier and arrange for the surplus to be collected or returned at the supplier's expense. Request a credit note to be sent by the supplier for the surplus being returned (if invoiced).</p> |
|--|---|

2 - The actual quantity delivered is less than that stated on the supplier's advice note.

Contact the supplier and arrange for the balance to be supplied. If not available, request a credit note from the supplier to correct the value of the initial invoice.

3 - The incorrect goods have been supplied or have been rejected after inspection.

Contact the supplier to arrange for the return or disposal of the goods and for re-supply. Request a credit note from the supplier.

4 - The delivery is significantly early when compared to a specified delivery date.

Check with user to see if it is appropriate to accept an early delivery. If not, contact the supplier and arrange for the return of the goods. Request a credit note to cancel the invoice for goods being returned.

19 Payment

19.1 Payment of invoices

The University has a clearly stated policy to make payment to suppliers within a given time period, normally only after the receipt of the correct goods and services. There is a legal requirement to pay suppliers within the time period agreed under the procurement contract. Where such terms have not been expressly stated, this is normally taken to be payment within 30 days of the invoice date. The supplier is entitled to charge interest on outstanding amounts due beyond the agreed payment period.

The payment period should start from the time the University receives the supplier's invoice after the satisfactory receipt of the goods or services. Any deviation from, or non-compliance with, the supplier's required payment period should be communicated to the supplier. Payment periods should be clearly communicated to suppliers in the contract documentation or purchase order. The University's General Conditions of Contract state that payment is due 30 days after receipt of the invoice, provided the Goods/Services have been delivered and comply with the order/contract.

All supplier invoices should be delivered to the University Accounting section in Financial Services, who make weekly payments based on the invoice due date. If the invoice has missed the deadline for a particular week it will be included in the following week's payment run. If this might result in late payment, buyers should contact their supplier to determine if a later payment date is acceptable. If not, they should contact Accounting Services staff who may be able to arrange an urgent payment.

Each order-related invoice should match the purchase order for price and quantity before being paid. If there is any discrepancy outwith certain acceptable limits, the invoice will be 'Held'. Buyers must clear these mismatches on the finance system or resolve the matter with the supplier before the invoice can be released for payment.

Each non-order related invoice (for exempt goods/services) must be manually processed using form F4 and submitted to the Accounting Section. It will subsequently be entered on the finance system and require online authorisation by the appropriate budget holder.

19.2 Advance payments

There may be circumstances under which it can be advantageous or appropriate to make an earlier payment of part of the amount due, however Schools and Departments MUST seek advice from the Director of Finance on the possible use of pre-payments.

Making advance payments (for example, a 20% payment with order) can put the University's funds at risk and there is often very little chance of recovering the money if the supplier becomes subject to receivership or liquidation. Depending on the value, the best protection for the University may be to ask for a Banker's Guarantee to cover the requested amount. The guarantee will remain valid until the supply of the goods or services has been completed and will ensure a full refund of monies paid in the event of non-performance of the contract. This will have a cost implication for the School/Department.

19.3 Progress related or stage payments

Alternatively, it may be advantageous to make progress related payments that are linked to pre-determined milestones within, for example, larger projects such as building contracts. Here payment is tied to the demonstrable achievement of agreed milestones. These should be truly representative of progress being made by the supplier and the amounts agreed against the milestones should be a genuine reflection of the supplier's expenditure to the relevant point in the programme. The milestone descriptions and amounts should be agreed prior to awarding the contract.

19.4 Retentions

In some procurement exercises, it is standard practice to hold back a sum (retention) in order to ensure the contract's completion to the agreed standard. The value of the retention should be a significant amount (usually in the region of 10 - 15%) and held back until the buyer is satisfied with the goods, services or works provided.

20 Order and Contract Management

20.1 Managing and monitoring suppliers' performance

After the decision has been made on what to order from which supplier, it is important to manage the contract appropriately. The type and value of goods or services ordered will determine the level of monitoring and management needed.

Examples.

A call-off contract, e.g. stationery, chemicals or PC's, will require regular meetings, perhaps monthly at first and then quarterly, with the appointed supplier to ensure that orders are being fulfilled within the agreed terms. Where, for example, the management information shows that there is a significant increase in the expected level of business, there may be scope to investigate the possibility of improving the agreed terms.

The procurement of a major item of equipment - management and monitoring of this type of contract will include liaison with the supplier to ensure, in the first instance, that it will be installed and commissioned on the agreed date. Later, management could include reviewing maintenance visits, the equipment's performance etc. Where, for example, the volume of consumables is increasing, there may be scope to investigate the possibility of setting up a preferred-terms agreement, perhaps aggregating demand with other departments within the University or with other institutions, if no such agreement exists.

Service contracts can be the most challenging to manage and monitor especially where the service is intangible. Depending on the type of services, e.g. the provision of staff to work within the University, the contract should include a service level agreement that outlines the roles, expectations and responsibilities of the parties to the agreement.

In other cases, such as the engagement of consultants, the project specification can be difficult to define in terms of the expected time and/or resources to complete the required task. In such cases, it is especially important that the engagement is managed as it is very easy for this type of requirement to overrun available budgets. This tends to happen where 'another little bit of work is added' and a relatively small commission snowballs out of control. Remember, the approach of the consultancy will often be to win the work (via some competitive process) and then to attract as much additional work as possible.

Management and monitoring of a contract should be a two-way process. It is not simply about you overseeing how the supplier is performing. It can also be about what you, and the University, are doing. Where there is an agreed service level agreement between the parties to a contract this will form an important part of the contract management process.

A review of a call-off contract may highlight a high number of relatively low value orders. This may suggest that the departments using the arrangement should consider looking to see if they could plan their orders better. For example, raising orders on a weekly or fortnightly basis rather than when a need arises. Of course, this may not always be possible, however, in general a little forethought can lead to fewer orders which, in turn (when the supplier can see that there is a degree of planning) may lead to reduced prices. Where

there are delivery charges, a reduction in the number of orders will reduce this cost element.

Management and monitoring should, therefore, be about the sharing of information to the benefit of both the University and the supplier.

20.2 Service level agreements (SLA)

A service level agreement (SLA) is a formal document that defines a working relationship between parties to a service contract. The standing of the SLA depends on whether the service is being provided by an internal (In-house School/Department) or an external (Bought-in) service provider.

When the services are provided by an in-house provider, the SLA takes the place of a contract. SLA's are typically used where there is internal charging for the provision of the in-house service or where the service is so critical to the end user that a formal written agreement is the most appropriate means of ensuring that the requirement is met.

Where the services are bought in from an external supplier, there will be a formal contractual arrangement between the University and the service provider. The SLA is used to provide the day-to-day working detail needed to support the contract. It is the starting point and basis for contract monitoring and management and often the trigger for corrective action that could prevent a more serious contractual situation arising.

The content of an SLA should be agreed between the service provider and the School/Department within the context of the University's administrative, financial, safety and environmental procedures and regulations and, of course, take into account the needs and opinions of end users. The amount of detail in the SLA is for agreement between both parties.

Performance must be monitored against the standards set in the SLA to ensure that quality levels are maintained, and costs must be kept within target to enable accurate budgeting, and to prevent the overspend of allocations.

20.3 Problems

Where problems do arise, these should be dealt with promptly and in an open manner. Sometimes a problem to one party may simply be caused by a misunderstanding on the part of the other. For example, you may prefer to have a delivery on a Monday and this is attracting a delivery charge. It may be that the supplier has to send out a van specifically to make the delivery to your department because they do not normally make deliveries to your area on a Monday. Having discussed the problem, you may decide that you can take delivery on a Tuesday when there is a van in the area and you save the additional delivery charge and make delivery scheduling easier for the supplier.

20.4 RGU Contract & Supplier Management Procedure

Please note that a more detailed procedure concerning contract and supplier management has been appended to this Policy as Appendix A.

21 **Inventories and Disposals**

Equipment belonging to the University which becomes surplus to requirements can be disposed of in a number of ways: by sale; by part exchange; by transfer to another department; or by donation. Scrapping equipment should only be an option if the prior alternatives have been exhausted. **Initial application to dispose of items which are held on the School or Department equipment inventory must be authorised by the appropriate Primary Budget Holder.** In this respect, an [application form](#) should be completed and submitted to the Procurement Department. Please note that this procedure excludes IT equipment, the arrangements for disposal of which are available from IT Services.

It is important that the disposal is managed in a manner which satisfies audit requirements and the University's financial regulations. Particular care must be taken to ensure that the equipment does not constitute a danger to the buyer (e.g. electrically unsound, or contains hazardous items or substances). With these provisos, the aim should be to dispose of the equipment in the manner which is most economically advantageous to the University.

When an item of equipment is being replaced every effort should be made to include part-exchange as part of the purchase contract. Even where it is clear that the old item has no commercial value it will probably be cheaper to arrange for the supplier of the new equipment to remove the old equipment at no cost to the University.

Wherever possible, efforts should be made to realise some return on all surplus items, irrespective of their value. The sale of high value items (i.e. sales proceeds, excluding VAT, in excess of £500) requires competitive offers to be obtained. This may be achieved by advising other HE institutions that the equipment is for sale (by arrangement with the Procurement Department), or by inviting written offers from other interested parties.

If the equipment which is being disposed of was purchased using Government capital funds, please contact Financial Services for guidance before taking any action to dispose of the equipment as Funding Council consent may be required.

A full audit trail of the sale of the equipment must be kept by the School or Department and details of the sale recorded in the equipment inventory. This should include:

- The number of offers received
- The sums offered by the respective bidders
- The decisions taken, together with eventual outcome

In the event that no satisfactory offers are received and the equipment is scrapped or donated, documents should be retained for audit purposes to demonstrate that best efforts were used to try to obtain the maximum financial return to the University, and details of the disposal recorded in the equipment inventory maintained by the School or Department.

All goods disposed of by sale are to be sold 'as seen' and the buyer is to be responsible for removal. As soon as a bid is accepted, a [Form of Agreement](#) must be completed and submitted to the Procurement Department (**N.B. where an asset disposal results in the goods leaving the University,**

the sale is subject to VAT which must be included in the bid value).

Upon receipt of the Form of Agreement, a University invoice will then be raised against the purchaser, on payment of which the equipment may be uplifted at a date set by arrangement with the School or Department in question. The equipment **must not** be released without obtaining confirmation from Financial Services that payment in full has been received.

D Appendix – RGU Contract & Supplier Management Procedure



CONTRACT & SUPPLIER MANAGEMENT PROCEDURE

Foreword

This guidance has been developed to align with the Robert Gordon University (RGU) Procurement Strategy, and encompasses best practice as set out in the Scottish Government's [Procurement Journey](#).

Putting in place a contract creates the opportunity to deliver value. The process of Contract Management is how the value will be delivered and benefits realised. The procedure set out in this document puts in place a consistent strategic approach to Contract and Supplier Management across RGU Schools/Departments and is applicable to all commodity categories. It provides a robust approach to drive value from new and existing contracts, and defines clear ownership by Procurement and service delivery teams for operational day-to-day management throughout the lifecycle of a contract and relationship.

As well as developing a consistent approach to Contract and Supplier Management, RGU aims to improve existing supplier relationships through improved management whilst at the same time supporting local businesses and SMEs, in line with the Scottish Model of Procurement.

Purpose

As set out within the Procurement Journey, the purpose of contract and supplier management is to work closely with suppliers and internal customers to minimise the total cost of ownership and to maximise efficiencies for both RGU and suppliers throughout the supply chain by:

- developing and managing constructive and transparent relationships with suppliers
- ensuring the contract is successfully executed
- maximising value for money from suppliers and contracts
- providing a formalised system of monitoring, managing and continuously improving the supplier and the buying organisations performance against the contract
- ensuring that all parties recognise and understand their contractual roles and responsibilities
- monitoring overall compliance to Key Performance Indicators and Service Level Agreements and implementing improvement plans in the event of under performance
- leveraging supplier expertise in pursuit of cost and efficiency gains
- realising of additional savings and benefits and sharing them appropriately
- effectively managing the supply chain
- providing a focus for development of initiatives and innovations
- driving continuous improvement
- identifying of lessons learned to inform future contract terms or strategies
- developing supplier relationships to maximise efficiency, collaborate towards common goals and reduce waste, environmental or social risks.

Priorities

Priority areas identified to achieve this are:

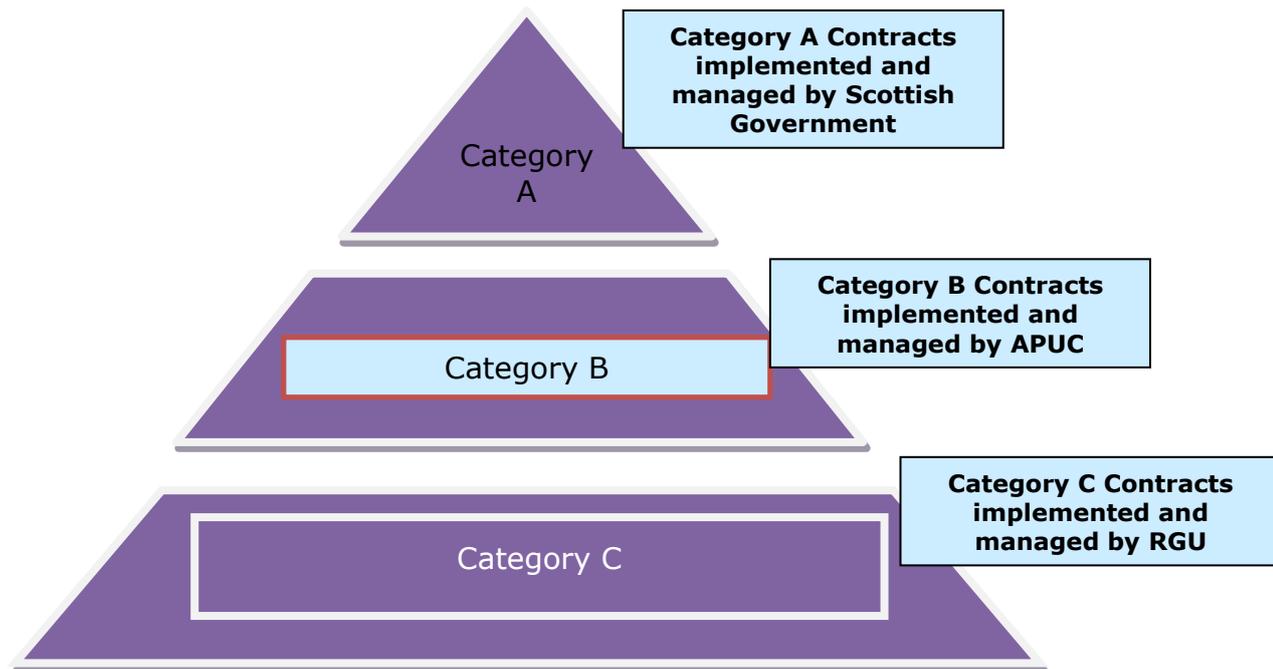
- the Procurement Department and RGU Service Delivery teams and stakeholders to agree ownership of the key elements of the Contract and Supplier management process;
- implement a standardised agenda, minutes and action notes template for managing and documenting supplier meetings consistently across all service and commodity areas;
- implement a balanced scorecard for measuring supplier performance in terms of the supply of goods, services and works contracts;
- introduce supplier management meetings with identified key suppliers for each category, with an aim to seek continuous improvement in the execution of contracts;
- begin a revolving programme of supplier and contract review meetings, scheduled and tracked using the Hunter Contract Database;
- encourage prime contractors to engage with local suppliers and SMEs through the inclusion of Community Benefit/Sustainability clauses, and early engagement in commodity strategies;
- continually review the contract and supplier management process to ensure it remains fit-for-purpose, remains consistent with Procurement Journeys 1,2 and 3, and is continuing to deliver clear benefits.

The Process

The following contract management process has been designed to improve the operational phase of the contract and derive value for money. The influence of activities undertaken during the tendering/contract award phase play an important role in influencing the desired outcome. Thus the tendering/contract award phase and the contract management phase should be seen as a continuum rather than distinct phases, with contract management planned for from the start of the procurement process.

The process continues through a post-contract award meeting with the successful supplier, which - as a guideline - should be conducted within one to three weeks of the contract award. The purpose of this meeting is to discuss the contract implementation phase, agree roles and responsibilities, and identify activities, SLAs, KPIs, timescales and expectations. It is important to keep in regular contact with the supplier during the contract implementation phase and to arrange meetings and maintain open dialogue throughout.

It is important to note at this stage that there are different category levels of contract, depending on whether they are national public sector agreements (cat A), HE sector agreements (cat B), or local contracts particular to RGU alone (cat C). This will determine the level at which responsibility for the management of the overall contract sits, although there will obviously be a degree of local contract implementation, management and feedback required in each case;



Contract Implementation

Contract Implementation consists of three distinct phases:

- Migration - facilitating the movement of organisations to a new contract post 'go-live';
- Mobilisation - the process of moving from contract award and migration to 'go-live' i.e. the point when a user can actually buy from the contract; and
- Communication – ensuring all stakeholders are aware of the contract and what it involves.

Actions that should be considered to migrate to, and mobilise a contract at this stage include:

i. End-User Information Packs

An information pack may be required to communicate and publicise the contract to inform end-users of its content, which can contain key information about the use of the contract including;

- contract objectives,
- details of the goods and services available,
- prices,
- supplier contact details,
- ordering and invoice process,
- returns/complaints/escalation process, and
- Contract and supplier management process.

Any information pack should be proportionate to the contract, and should demonstrate how it delivers best value and provides information relating to the benefits of the contract (e.g. cost savings, KPIs, improvements in quality and service). Some example KPIs from the Procurement Journey are provided in the embedded document;



KPI examples

ii. Supplier/Buyer Events

Depending on the size, value and risk level involved with the contract, a useful way to raise awareness of the contract amongst end users is to organise a Supplier/Buyer 'launch' event to give stakeholders the opportunity to meet each other, and present details of the contract and what it affords. This is also an opportunity to distribute information packs/buyers guides.

iii. End user feedback

End users should be consulted as part of developing and determining the ongoing performance measurement process. It is important to establish the following:

- there are clear contact points for service users both within the supplier organisation and with the contract manager;
- users understand what the contract is intended to deliver, and are involved in the assessment of supplier performance where relevant;
- users understand escalation routes where issues arise;
- changes in user requirements are captured and considered as part of formal change and contract management processes; and
- there are formal performance reviews with suppliers, with documented improvement plans agreed where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security.

Determine Level of Contract & Supplier Management

It is important when developing the Contract Strategy to determine the level of management required for the proposed contract at the specification stage, based on size, value and organisational risk as this will influence and determine the frequency and content of supplier review meetings.

There are three routes of contract management and every contract will be assessed in the following methodology to determine the level of contract management that will be applied. APUC provide useful guidance on this process, which is replicated here;

Selecting a Route

Regardless of how formal a procurement strategy is, or is not, there is always thought and decision making on how the contract or agreement will be set up, who the potential supply base is and what the desired outcome is.

A straightforward way of assessing the potential level of C&SM required is to consider the:

- value (both monetary and importance to the organisation) and;
- risk (also considering diversity of supply base and reputation) of the contract/agreement.

By considering these and determining if they are Low, Medium or High you will as a result select a contract and supplier management route: routine, managed or strategic.

Route					
1	Routine	H	2	3	3
2	Managed	M	1	2	3
3	Strategic	L	1	1	2
			L	M	H
			Value		

'Routine' Contract and Supplier Management

Contracts that are low value and low risk are classed as 'Routine'. This can cover procurements that are non-business critical and/or have an abundant supply base, and also Procurement Journey Route 1 contracts. In general, contract management of these agreements will include gathering management information, monitoring trends, and maintaining awareness of key category risks.

AIM: Ensure continuity of supply and risk awareness

'Managed' Contract and Supplier Management

Contracts where the value and/or risk are classed as medium to high will normally fall into the 'Managed' route. Procurement Managers shall ensure continuity of supply and value for money through ongoing effective contract

management. Typical contract management activities and tools include supplier review meetings, use of KPI's, user feedback gathering and use of a Risk register. These contracts could be where there is abundant supply and therefore a chance to improve price ('Leverage'), or limited supply of a not critical/high cost item which needs management to maintain consistent supply ('Bottleneck').

AIM: Ensure continuity of supply, value for money, risk management and supplier performance. Seek supplier development where possible. Retain/gain market knowledge.

'Strategic' Contract and Supplier Management

Contracts that have high value and/or high risk will be managed strategically to ensure effective service delivery. Additional tools that could be used include balanced scorecards and Service Level Agreements. Through strategic contract management, opportunities for supplier development and greater market knowledge can be utilised.

AIM: Ensure effective contract delivery and supplier performance, risk management and maximisation of supplier and market development opportunities.

The Contract & Supplier Management Plan

Once the contract implementation has been completed and the level of management determined, a Contract and Supplier Management Plan should be constructed which outlines:

- The Agreed Level of Management (routine/managed/strategic)
- Roles & Responsibilities
- Risks & Issues
- Escalation Process (within supplier organisation and the authority)
- Balanced Scorecard Use
- Review Meeting Schedule
- Process for conducting continued supplier financial checks (see financial appraisal guidelines)

This will need to be agreed with the supplier. All of these, in particular the routes for escalation and the review meeting schedule, should have been built into the initial Contract Strategy and tender, with reference to the fact that a Contract and Supplier Management plan will be developed.

Contract & Supplier Performance Review Meetings

Performance Review Meetings are an important part of the Contract & Supplier Management process and provide end users, Procurement, service management and the supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.

We suggest that, for contracts/suppliers where a 'managed' level of management is being applied, there should be at least two performance

review meetings per year. Meetings for contracts/suppliers where a 'strategic' level of management is being applied should be held at least quarterly.

A template meeting agenda is included below, to assist in the management of performance review meetings; this can be supplemented by the balanced scorecard sign-off template.



These tools can be used by both Procurement and the supplier in advance of meetings to provide a structure to the meeting, with the scorecards in particular used to gauge where performance is improving, remaining static or declining.

Meetings could potentially focus on:

- i. Review of Actions and Minutes from previous meeting(s)
- ii. Review of Risks and Issues
- iii. Supplier Business Review, with updates on new products/product developments, customer-affecting issues (e.g. product issues, recalls), complaints, value adds
- iv. Scorecard review – to determine current level of performance (Improving/ Degrading)
- v. Contract performance against target/SLA /KPIs
- vi. Issues for escalation
- vii. Benefits Realisation (e.g. Community Benefits, sustainability)
- viii. Financial Monitoring (Spend monitoring, P2P, Invoicing, Billing, financial stability)
- ix. Process, Standards, Regulatory
- x. Areas of Improvement (e.g. innovation, new process)
- xi. Change Control

These are suggested agenda topics for discussion; however, the final agenda will need to be adapted for specific types of contract and/or suppliers.

The initial Performance Review or 'inaugural/kick-off' meeting should also include a 'Lessons Learned' session with the supplier on the tendering and contract implementation process, and cover areas such as roles and responsibilities, performance levels, and invoicing arrangements.

Meetings should recur as agreed until the contract approaches its completion, and documented (minutes, actions, change in performance) throughout, with actions followed up as agreed. Minutes of Meetings, agreed actions and scorecard results should be communicated to all stakeholders following each meeting (supplier, procurement & End Users/Service department management).

Change Control

Changes (variations) to services, procedures or contracts are likely to occur throughout the lifecycle of a Contract, especially lengthy and/or major, strategic contracts, which could have an effect on many aspects of the contract including:

- Service Delivery
- Scope of work
- Performance
- Costs
- Product availability / changes to specification / obsolescence / revision of rates
- Whether the Contract continues to represent value for money

The primary aim in managing variations is to minimise their likelihood; however, change is inevitable, therefore the specification and management of change (Change Control) is an integral and important part of contract management and administration. Change Control procedures should be included in the contract and discussed at the inaugural meeting. The respective roles and responsibilities of both parties in the change control process must be clearly identified, along with procedures for raising, evaluating, costing and approving change requests.

A single change control process should be applied to all contract changes. Flexibility does, however, need to be built into the process to deal with issues such as emergencies. A change control process should provide clear steps and clearly allocated ownership and responsibilities for:

- Requesting changes
- Assessment of Impact
- Prioritisation & Authorisation
- Commercial and contractual consideration
- Agreement with provider
- Control of implementation
- Documentation and Communication of change
- Updates to Terms & Conditions where applicable

If a specific change or cumulative changes significantly increase or decrease the scale or scope of the services provided under the contract, the procurement contract manager/ contract owner will need to assess whether it continues to achieve best value and provide value for money overall.

Similarly, the procurement team/contract owner must also ensure that any changes do not take the contract outside the scope of the original tender in relation to the OJEU advertisement, or permitted extensions to contracts. When this is in doubt, the change should be referred to the RGU Legal Services team for further guidance. The same level of diligence should be applied to contract variations as that applied to letting a contract.

Exit Strategy

As a contract progresses, the Procurement team will have responsibility for ensuring that both parties are working towards the planned fulfilment and exit of the contract, and the procurement process for securing subsequent supply arrangements if required.

The Exit Strategy should involve a full review of the contract and supplier's performance. This should include a 'lessons learned' review, which incorporates feedback from end-users and the supplier.

The final review and lessons learned should be clearly documented and communicated to appropriate stakeholders, as it may inform any subsequent procurement for similar commodities in the future.

Of course, contracts may also need to enter an exit phase if there is unsatisfactory performance of the contract, or if the supplier should go into administration, for example.

Ideally, an exit strategy or plan should be developed at an early stage, and form part of the initial contract. There are several considerations to be made when developing an exit plan, including: Continuing Service Requirements, Data Security and Privacy, Knowledge and Documentation Transfer, Costs, and People. More information on this is included within the [Procurement Journey](#)