# Mini Guide to Procurement

## 1.    How to use this Mini Guide

1.1    Use this mini guide whenever you are involved in procurement.   It provides you with a quick check of the procurement processes you should follow when buying on behalf of Herefordshire Council.   It does not replace the Contract Procedure Rules but provides a brief overview to help you to get started.

## 2.    Important Issues

2.1    Before you start, check that the important issues have been considered – confirming the availability of budget provision; following guidelines on procurement ethics; aiming to achieve value for money; making best use of framework agreements and ensuring that the correct procurement procedures are carried out.

## 3.    Questions to Consider

3.1    Look at the questions a procurer needs to ask – they will help you to make fundamental decisions about how to proceed.   If you find that answers to any of these questions suggest areas of weakness, seek advice (see below).

## 4.    Process Models

4.1    See the process models for the steps to take with contracts below a value of £10,000, contracts with a value between £10,000 and £50,000, and contracts with a value above £50,000.   If you have a contract with a value greater than the current EU limits (£140,000) you must contact the Corporate Procurement Team.   (Note: contract value is the total value of a contract, not annual value, excluding VAT).

## 5.    Help and Advice

5.1    For sources of help and advice within the Council you can email the Strategic          Procurement          and          Efficiency          Review          Manager (dhogan@herefordshire.gov.uk) or contact him on 01432 260043.

## 6.    Questions a Procurer needs to ask...

6.1    Are the goods, services or works really required?

6.2    Do they contribute to the objectives of the Directorate and the Council?

6.3    Is a procurement necessary to acquire them?   Could they be borrowed, shared or provided in-house?

6.4    Are they a priority?   Could the money be better spent elsewhere?

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6.5    Is this the right time to make the procurement? Might resources be available later, might the market change, are there potential major risks that might become clearer?

6.6    What quality level is needed (rather than desired)?

6.7    What will be the total cost, including maintenance, consumables, installation, in-house management, etc?

6.8    Can the environmental impacts be reduced? - raw materials (using substitutes), running costs and emissions (being energy efficient), disposal (re-usable or recycled option).

6.9    Can the cost and resource implications of the procurement exercise be justified? Can the cost be reduced? Can it be included in a similar procurement elsewhere in the council?

6.10    Is the budget available?

6.11    Is the necessary technical expertise available in house? How can it be obtained?

6.12    Are the resources available for the procurement?

6.13    What are the latest developments in the market and might they benefit the Council?

6.14    Who will be affected by the procurement and how can they best be involved in the decision making process?

6.15    What are the risks affecting the procurement and how will these be managed?

6.16    Are you competent to carry out the procurement in order to meet all legal requirements and to achieve the best value for money for the Council?

**7.    Ten Top Tips for a Successful Procurement Process...**

7.1    <u>Spend Plenty of Time Planning</u>

7.1.1    Consider at the outset the full extent of who needs to be involved, what needs to be done, by whom, and by when. Seek advice from others.

7.1.2    Establish a complete procedure timetable from consultation period through to contract award, ensuring that adequate time is allowed.

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**7.2** <u>Establish Roles and Responsibilities</u>

**7.2.1** Establish roles and responsibilities of all involved.

**7.2.2** Get everyone to contribute to the planning process.

**7.3** <u>Ensure Transparency of Proceedings</u>

**7.3.1** Be seen to be fair and conduct the process without favouritism.

**7.3.2** Engage widely with stakeholders and existing contractors in advance of formal proceedings.

**7.3.3** Get all internal players to contribute to the critical success factors and key evaluation criteria and record these!

**7.3.4** Allow sufficient time for suppliers to submit tenders.

**7.4** <u>Observe Legalities</u>

**7.4.1** Ensure compliance with EC Procurement Directives, domestic legislation, Contract Procedure Rules etc. Seek legal advice and involvement in the process at the outset. You are initiating events that will result in a contract. It has to be legal!

**7.5** <u>Accommodate Innovation and Secure Best Value</u>

**7.5.1** Don't be too restrictive with suppliers. Don't be too prescriptive in how you want the work to be delivered. Describe the 'outcomes' you require.

**7.5.2** Try to find ways specialist suppliers and contractors can contribute their expertise; allow tenderers to innovate and offer you their best solutions.

**7.5.3** Make sure you secure Best Value, not just the lowest tender price.

**7.6** <u>Prepare Sound and Complete Tender Documents</u>

**7.6.1** Specify clearly what you want and describe in detail how tenderers are to price their submissions – and whether VAT is included.

**7.6.2** Give thought to various pricing mechanisms (i.e. lump sum or schedules of rates) and how good these will be at accommodating change.

**7.6.3** The more information you provide, the greater your chances of success.
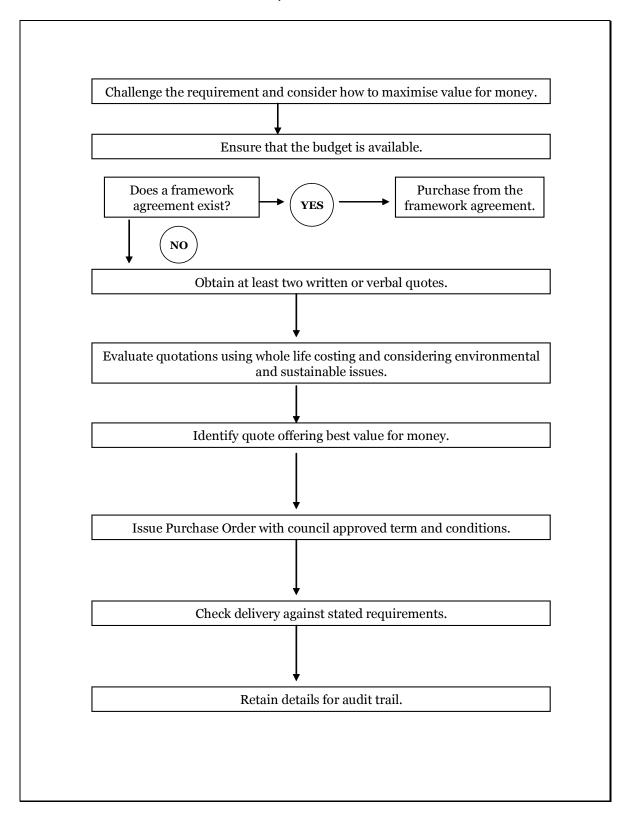
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7.7     Consider Monitoring Payment Arrangements at the Outset

7.7.1   Be clear as to how payments are to be calculated. Make payments on time.

7.7.2   Establish monitoring procedures, which are required to satisfy the Council.

7.7.3   Consider default procedures, performance incentives and profit sharing.

7.7.4   Incorporate these processes into the tender documents.

7.8     Ensure Procedures Provide for Probity and Accountability

7.8.1   Ensure the whole process is documented and recorded, and that all key documents are signed, dated and retained.

7.8.2   Communicate all decisions to the whole team.

7.9     Think Before You Act

7.9.1   Review your plans before commencing and don't rush things.

7.9.2   Think, "What can go wrong?" and put possible contingencies in place.

7.10    Learn From the Process

7.10.1  Learn, experiment, and don't fear mistakes.  Ask "How could it be improved next time?"

7.10.2  Develop your skills.

## 8.      Formal Quotation and Tendering Process

8.1     West Mercia Supplies (WMS) or their supply partners must be used for all purchases of office supplies and consumables, furniture, photocopiers, janitorial supplies and personal protective equipment.

8.2     Proposals to use an alternative supplier for such goods must be approved prior to an order being placed using a form prepared by the Strategic Procurement and Efficiency Review Manager.

8.3     Requests to use an alternative supplier to WMS will be approved or otherwise by the Head of Financial Services.

8.4     Failure to comply with the Council's policy on the use of WMS will lead to a corresponding budget reduction.

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8.5      Officers must also use Council approved strategic service delivery partners such as Amey Wye Valley Limited and Owen Williams where appropriate to do so.

8.6      Procurement of ICT equipment must be achieved using the Council's online procurement system

8.7      The following procedures must be followed for all other types of procurement:

a)      Purchases in total valued less than £1,000 – no requirement for formal quotations or tenders but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the Council's Contract Procedure Rules have been followed.

b)      Purchases in total valued between £1,001 and £10,000 – two formal quotations must be obtained (see attached flowchart).

c)      Purchases in total valued between £10,001 and £50,000 – three formal quotations must be obtained (see attached flowchart).

d)      Purchases in total valued between £50,0001 and up to relevant EU limit – formal tendering arrangements must be followed (see attached flowchart).

e)      Purchases in total valued in excess of relevant EU limit – European procurement rules must be followed (see attached flowchart).

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## Contracts with a value below £1,000

Challenge the requirement and consider how to maximise value for money.

Ensure that the budget is available.

Does a framework agreement exist? → **YES** → Purchase from the framework agreement.

**NO**

Obtain at least two written or verbal quotes.

Evaluate quotations using whole life costing and considering environmental and sustainable issues.

Identify quote offering best value for money.

Issue Purchase Order with council approved term and conditions.

Check delivery against stated requirements.

Retain details for audit trail.

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## Contracts with a value between £1,001 and £50,000

Check that the requirement is clearly identified in the Directorate's budget or if there is an external funding opportunity.

↓

Produce outline business case and options appraisal

Does a framework agreement exist? → **YES** → Purchase from the framework agreement.

↓ **NO**

Check whether EU aggregation rules apply.

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Obtain a minimum of three written quotes.

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Evaluate quotations using whole life costing and considering environmental and sustainable issues.

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Run finance check on suppliers.

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Identify quote offering best value for money and award contract.

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Check delivery against stated requirements.

Retain details for audit trail.

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**Contracts with a value between £50,001 and up to relevant EU input (£140,000)**

Does the contract value exceed £153k for goods/services or £3.8m for works?

**YES** → Tender is subject to EU rules. Obtain Contract Reference number for Procurement and contact Legal Services

**NO** ↓

Check that the requirement is clearly identified in the Directorate's budget or if there is an external funding opportunity.

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Produce outline business case and options appraisal.

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Check whether EU aggregation rules apply.

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Produce an advert for domestic market and forward to Procurement to arrange advertising.

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Evaluate tenders using whole life costing and considering environmental and sustainable issues.

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Identify tender offering best value for money.

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Check delivery against stated requirements.

Retain details for audit trail.