



## **Long Sutton Primary School Purchasing, Tendering and Contracts Policy**

This policy has been written with reference to Lincolnshire County Council's Sustainable Procurement Strategy and the Contract and Procurement Procedure Rules (CPPRs).

### **Value for money (VfM)**

Because they are using public funds, it is vital that schools achieve the best value for money they can from all their purchases, whether they are of goods or services. Value for money is a means of achieving economy, efficiency and effectiveness in resource management. All members of staff in school should be encouraged to look at how they are spending money and what they are spending their money on. They should be concerned with:

- **Economy:** is it possible to minimise the cost of resources without losing quality of service?
- **Efficiency:** what is the relationship between output, in terms of goods, services or other results, and the resources used to produce them?
- **Effectiveness:** to what extent have objectives been achieved? What is the relationship between the intended impact and actual impact of an activity?

### **Basic Principles**

All purchasing procedures must:

- Follow the EU procurement principles by being open, fair, transparent and proportional;
- Achieve 'best value' for public money spent;
- Be consistent with the highest standards of integrity;
- Ensure fairness in allocating public contracts;
- Comply with all legal requirements;

- Ensure that non-commercial considerations do not influence any contracting decision.
- Comply with the Council's policies;
- Comply with the Council's corporate and departmental aims;
- Comply with the Council's Sustainable Procurement Strategy.

Further:

- Grant money received must be spent in line with Contract and Procurement Procedure rules unless grant conditions state otherwise;
- The purchase is legitimate, lawful, and within the budget and policy framework;
- All goods and services and the carrying out of works are ordered in accordance with CPPRs, contract regulations, financial regulations, the Scheme for Financing Schools and with all UK and EU binding legal requirements;
- The purchase is authorised by the appropriate person and correctly recorded;
- Goods, services and the carrying out of works received meet the requirements of the authorised order;
- Payments are only made for goods, services and the carrying out of works received at the correct price, quantity and quality standards;
- Self-authorisation of payments is restricted in line with schemes of authorisation;
- The budget holder monitors all expenditure through their budget;
- Payments are recorded accurately on SAP on a timely basis;
- Processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Purchasing**

1 The school will always consider price, quality and fitness for purpose when purchasing goods or services.

2 Prior approval from the governing body should be obtained for all expenditure above £5,000

3 For all goods and services purchased with a value below £10,000 a local supplier should be used where possible in line with LCC Contract and Procurement Procedure

Rules (CPPRs). 'Local' is defined as those with a billing address located within Lincolnshire.

4 Three written quotations should be obtained for all expenditure above £10,000 (above that in 2 above).

5 For all goods and services with a value between £10,001 and £25,000, at least one quotation should be from a local supplier and a local supplier should be used where they provide the most economically advantageous offer.

6 Where a quotation other than the lowest is accepted, the reasons for this decision must be reported to the governing body and included in the minutes of the relevant meeting.

7 All purchases estimated to exceed £25,000 should be put out to tender. (above the limit set at 3 above)

8 All purchases with a value greater than £25,000 must be advertised on Source Lincolnshire. This is a mandatory requirement as local suppliers have been informed that this is where all LCC purchasing needs above £25,000 will be advertised.

9 Contract specifications should define the service to be provided in terms of its nature, quality standards, information and monitoring requirements and contract review procedures.

10 The school should not enter into any financial agreement with capital implications without the approval of the LA.

11 Official, pre-numbered orders should be used for all goods and services except petty cash payments, and procurement card payments.

12 Orders should be used only for goods and services provided to the school. Individuals must not use official orders to obtain goods or services for their private use.

13 All orders must be signed by the Headteacher or School Business Manager.

14 The signatory of the order should be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.

15 When an order is placed, the estimated cost should be committed against the appropriate budget allocation so that it features in subsequent budget monitoring.

16 The school should check goods and services on receipt to ensure they match the order and the order should be marked accordingly. This should not be done by the person who signed the order.

17 Payment should be made within time limits specified in law for the payment of debts and only when a proper invoice has been received, checked, coded and certified for payment.

18 All paid invoices should be securely stored for six financial years and the current financial year and should be easily retrievable.

## **Tendering**

Tendering is the formal procedure by which suppliers are invited to submit a sealed bid to a purchaser for goods or services over a prescribed value.

There are three basic types of tender.

- **Open tender:** this is where all potential suppliers are invited to tender. It is the preferred method of tendering as it is most conducive to competition and the proper use of public funds. The school must consider either how best to advertise for suppliers, such as general press, trade journals, or whether it is possible to identify all potential suppliers and contact them directly.
- **Restricted tender:** this is where certain suppliers are specifically invited to tender. Restricted tenders are appropriate where:
  - a large number of suppliers would come forward; or
  - specific suppliers can be expected to supply the school's requirements; or
  - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering; or
  - there is a need to maintain a balance between the contract value and administrative costs
- **Negotiated tender:** the school may negotiate the terms of the contract with one or more suppliers of their choice. This is appropriate in specific circumstances where:
  - open and restricted tendering have both resulted in either no tenders or unacceptable ones; or
  - only one or very few suppliers are available and therefore direct negotiation with each supplier will prove more effective than attempting an open or even a restricted tender; or
  - extreme urgency exists; or
  - additional deliveries or services by the existing supplier are justified

## **Specifying the tender**

Clarity is essential to avoid misunderstanding. Initial specifications need to be drawn up as precisely as possible and schools need to ensure that all suppliers' bids are based

on exactly the same specifications as the original invitation to tender. Full consideration should therefore be given to:

- budgeted funds available
- the objective of the project
- overall requirements
- technical skills required
- after-sales service requirements
- the form of contract
- delivery dates and times

The tenders are evaluated against specified criteria by a team made up of at least two people for small contracts, with a report to the governing body about the decisions made. The governing body or a committee should be involved in decisions concerning larger contracts. There should be no conflict of interest for those involved.

It may be useful, after all requirements have been established, to rank tenders in order of importance, (such as mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision. In all cases, a formal report should be prepared summarising the evaluation and giving a recommended decision. After consideration, the decision should be recorded fully. All tenderers should be informed of the decision.

Financial issues to consider include:

- whether like is being compared with like and that a lower price does not mean a reduced service or lower quality. If this is the case, consider whether the specification will be met. Alternatively, a higher specification at a higher price may be in excess of the school's requirements and thus may not represent value for money
- assurance that the tender price is the total price and that there are no hidden or extra costs
- whether there is scope for negotiation
- the financial status of the supplier. Suppliers in financial difficulty may have problems completing contracts and in providing after-sales service. Schools may wish to examine suppliers' audited accounts. Schools should be aware that credit agencies can, for a small charge, provide financial information on companies
- the difficulty in changing contractors partway through a contract, should this prove necessary. The financial implications may be significant

Technical issues to consider include:

- qualifications and relevant experience of the contractor
- descriptions of technical and service facilities
- certificates of quality and conformity with standards
- quality control procedures
- details of previous sales and references from past customers

Pre-sales demonstrations and after-sales service should also be taken into consideration.

### **Further considerations about tendering**

The school may wish to engage the assistance of professional contract managers where tenders or contracts are complex and involve significant sums of money e.g. in the case of a major building or refurbishment project.

Gifts or excessive hospitality from potential suppliers should not be accepted since it could compromise or be seen to compromise impartiality.

The schools should consider carefully the frequency with which ongoing contracts are put out to tender. A balance needs to be struck between regularly testing value for money against developing a supplier relationship and administrative costs. For example, if a tender is issued too frequently, unsuccessful firms may lose interest in retendering and a good relationship may not develop with the successful supplier. If a tender is not issued frequently enough, the existing supplier may become complacent, leading to poor value for money.

### **Contracting**

Before the governing body enters into any contract, it should consider whether or not to take legal advice. Factors to consider are:

- the size of the contract
- the nature and extent of the liabilities to be taken on by the school
- the likely cost of obtaining legal advice
- whether there are any special conditions to be incorporated in the contract

All contracts should be as detailed as possible to eliminate the likelihood of misunderstanding.

Contracts should cover key areas including:

- level of service

- scope of work
- frequency and timing
- calculation of charges
- criteria for successful delivery of the contract
- means of redress if this is not achieved
- cancellation costs
- due date for payment

The school should consider whether the service is necessary, and at the appropriate level, given the school's budgetary constraints. It may decide that a higher level of a service is appropriate.

When considering the provision of services, the school should consider three options as follows.

1. **In-house provision:** the in-house option may appear in some instances to be the cheapest. However, factors such as disruption of activities, overload of members of staff, quality and level of current expertise, cost of management and administrative time, and management of risk should be considered.
2. **Local authority:** a local authority should be counted as a contractor along with all other sources before awarding a contract. Consider the quality of service received in the past and quality of service expected in the future, together with cost compared with that of other providers.
3. **External contractor:** external providers often allow competition, which enables schools to improve value for money.

Except where there are good reasons to the contrary, contracts should normally be placed on a competitive basis and the lowest tender or price is to be accepted. Where a different decision is taken, the reasons for it must be documented.

Contracts should also be reviewed and renegotiated at regular intervals where appropriate.

It is essential that school continually monitors all agreements and contracts closely to ensure satisfactory delivery. Issues to consider are:

- the governing body should approve all major contracts as set out in their scheme of delegation
- members of staff involved with the service should be involved in the purchasing and monitoring operation. The role of negotiation and administration could be delegated accordingly. The responsibilities of the

members of staff should be clearly defined and be in line with their capabilities and experience

- an ongoing process of monitoring and all concerns should be raised with the contractor. The school should maintain a written record of communications related to all such concerns
- school should ensure that the hirer or leaser has arrangements in place for prompt repair of equipment under contract
- service level agreements should be regularly evaluated and monitored

In order to ensure that value for money is obtained in the long term, the school should review and renegotiate all contracts at regular intervals.

For contracts and capital projects, this may involve recording the receipt of goods or services over a long period of time against one order.

In these circumstances, separate systems should be initiated to ensure that the receipt of all goods and services is recorded and that the documentation is stored in an appropriate format.

**Headteacher**

**Chair of Finance**

**Date**

**Date**

**Ratified by Governors: 16<sup>th</sup> March 2016**

**Review Date: 16<sup>th</sup> March 2017**