

## Section 6.1 - 5 Value for Money and Purchasing

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## 6.1 INTRODUCTION

The governing body and all school staff must have regard to value for money considerations, that is of quality or fitness for the purpose and delivery against price, in all purchases of works, equipment, goods and services. Except where there are good reasons to the contrary, contracts must be placed on a competitive basis, the lowest tender or price to be accepted; where a different decision is taken the reasons for it must be documented, in the Governing Body or Committee minutes. There are various local requirements which are set out in this section.

The Scheme for Financing Schools (section 2.15) states that schools **must** abide by the authority's **Contract Standing Orders for Schools (CSOs)**; these are reproduced at **Appendix 1**. These provide the requirements to be followed and relevant school staff must be familiar with the contents of the CSOs.

**Schools should be aware they can meet value for money requirements and avoid unnecessary procurement work by utilising LBB corporate purchasing arrangements (see CSO paragraph 6.2). Details of council contracts are available on the funding and finance website**

**[Contracts for schools Information - Working with children in Barnet](#)**

**Schools should note that this is a requirement of CSOs.**

This section of the Guide provides advice and guidance to schools on the procurement of goods and services and the organisation of purchasing systems.

Orders for the purchase of goods or services must not be split to avoid the Contract Standing Order requirement on quotes and tendering as this prevents testing of the market and thus may prevent the school from achieving value for money.

Governing bodies should set monetary limits clearly defining the level of expenditure staff can authorise without the approval of the governing body.

All paperwork and documentation should be retained for all quotation and tendering exercises. This should clearly show the basis upon which a purchasing decision has been made, especially if the chosen option is not the lowest initial cost.

Any member of the school staff must disclose to the governing body and the Headteacher any interest that he or she may have, including that of relatives and friends, in any purchasing decision in which they may be involved. Staff which face such a conflict of interest should not participate in the decision with whom to place the contract. This will include the appointment of staff.

## 6.2 PURCHASING SYSTEM

### Introduction

The main elements of a purchasing system are:

- Assessment, Authorisation and Acceptance
- Ordering
- Receipt of goods or services
- Processing purchase invoices
- Payments

### Assessment, Authorisation and Acceptance

Prior to placing an order school staff should follow procedures relevant to the type and value of the purchase. In all cases they must ensure value for money is obtained. For low value orders this may involve ordering from approved suppliers by reference to catalogues and price lists and obtaining authorisation from the relevant member of staff. Larger orders and contracts will require a procedure to be followed for obtaining and approving quotations or tenders as set out in Contract Standing Orders for Schools (CSOs).

The school should maintain a list of suitable suppliers for regular needs, which should be periodically reviewed by an appropriate person who is independent of the ordering function.

Authorisation – see section 5 of Contract Standing Orders, is the approval required before quotations or tenders for supplies, services or works may be sought. Key questions – is there budgetary provision; are you authorised to start the purchasing process?

Acceptance is the approval to proceed with the purchase of supplies, services or works and enter into a contract. Key questions – are you authorised to make the purchase? Have you undertaken procedure to comply with CSOs?

In accordance with section 2.15 of the Scheme, the governing body must approve written procedures for:

- Ordering goods and services and
- Obtaining and approving tenders
- Payment of accounts.

These must be included in its Financial Management Policy and Procedures document.

### Ordering

In order to safeguard the school's and the Council's position, schools using an integrated accounting package should use it to generate purchase orders but ensure the following requirements are met;

1. The following items of information must be contained on each order:
  - Purchase Order
  - London Borough of Barnet

- Name and address of the school
  - School telephone number (and fax number, if applicable)
  - Name and address of supplier
  - A unique and sequential number for each order placed by the school
  - Description of the goods/service including quantity, price, VAT (if applicable), discount (if applicable), total, catalogue number (if applicable)
  - Authorisation signature
  - Date
  - One of the following statements -
    - “ This order is subject to the London Borough of Barnet’s standard conditions of contract for the purchase of goods and services, a copy of which can be obtained from the ordering office”
    - or
    - “ The order is placed subject to the Council’s standard conditions of contract, a copy of which will be supplied on request.”
2. Pre printed purchased orders for use in the computer system are treated as “Controlled Stationery” (that is, such stationery must be held securely with access strictly limited, see further guidance below).
  3. An automatic unique and sequential number is generated for each order. This will be the order number, which the supplier is asked to provide on their invoice.
  4. The authorised copy of the purchase order, either in an electronic form (which can be printed if necessary) or as a hard copy is retained for audit purposes for the required retention period.
  5. Suitable computer related controls exist to maintain accuracy and reliability of data to prevent loss from fraud and errors. The expected controls are:
    - Internal control – each transaction is authorised, complete, accurate, timely and input once only.
    - Processing control – an appropriate level of control is maintained during processing to ensure completeness and accuracy of data.
    - Output control – controls to ensure the accuracy, completeness, confidentiality and timeliness of output and interfaces.
    - Audit trail – a complete audit trail is maintained which allows an item to be traced from ordering through to payment of the invoice.
    - Back up Control – arrangements exist for creating back up copies of data and programs, storing and retaining them securely and recovering applications in the event of failure.
  6. The facility is available for management or audit to produce a report to identify the time, date and person raising each order and paying the corresponding invoice.

The **Council’s Standard Terms and Conditions of Contract** are enclosed as **Appendices 2 (Services) and 3 (Goods)** and can be copied for any interested supplier or potential supplier.

Where purchase orders are pre printed so that they are easily recognisable as an order from the school prior to use in the computer system they must be treated as "Controlled Stationery".

It is recommended that there is a pre printed unique number on each order form. This can be achieved by a sequential numbering system of the printed order forms. Upon delivery of stationery the numbers of the printed purchase order forms must be recorded. Their issue to a member of staff must then be recorded. This will ensure that all order forms are accounted for to prevent misuse.

### **Receipt of Goods or Services**

On receipt of goods and services, the delivery notes should be signed and annotated "unchecked". All goods and services should then be checked, against the delivery note, for quality and quantity. This check should be recorded (signed for) on the delivery note and the copy order.

The carrier/supplier should be notified promptly of any shortages or rejected items. 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.

The school should maintain clear policies on returned goods. Returned goods should be recorded on the delivery notes and a "goods returned book" should be maintained in order to document the return to the supplier. This will include the official order number, the delivery note number, a description of the goods and reason for the return. A procedure will be required to ensure that replacements or credits are received for all returns.

### **Processing Purchase Invoices**

Invoices for payment should be matched with delivery notes of the receipt of goods or work carried out. The invoice should be checked and marked off for accuracy of quantity, price and calculation against the original order. All these checks should be recorded on the invoice - a rubber stamp grid is ideal. Payment should only be made in respect of items, which are properly due and invoiced. The checking and approval of invoices should be carried out only by authorised members of the school staff.

Segregation of duties should be adequately maintained with reference to staff available. Segregation between incurring expenditure and authorising payments is essential. The segregation of duties relating to the ordering and receipt of goods and between the receipt of goods and authorisation of payments is highly desirable.

Policies and procedures for making partial payments, taking of cash discounts and the settlement of disputed items should be established to ensure the school obtains all savings due and all outstanding items are resolved in an appropriate manner.

### **Payments**

Heads must satisfy themselves that payment arrangements are such as will ensure that bills are being paid promptly when they fall due with discounts for prompt

payment where appropriate. Discounts obtained for using Direct Debit facility, e.g. utilities should be considered.

To avoid the possibility of goods and services not being received payment should not normally be made before receipt of goods. If such payments are required, schools must consider the degree of risk before approving the payment.

In applying segregation of duties, cheques should not be signed by the person who was responsible for authorising the purchase order. Cheques must be signed in accordance with the bank mandate and it is recommended that two signatures are required for amounts above £500 for primary and special schools and £1,000 for secondary schools.

**These principles must be adhered to where electronic payments made.**

## **6.3 QUOTATIONS**

### **Introduction**

Contract Standing Orders – section 6 Selecting Contractors, gives details of when quotations are required for supplies, services and works – for contracts of £10,000 or more up to the EU Procurement level (currently June 2012 - £156k).

### **Procedures**

The first and critical stage is to define the goods or service required and prepare a Specification. Guidance in this is given in [Appendix 11 – Example Specification](#).

Following research as to potential suitable providers the next stage is to seek quotations. An example of an “[Invitation to Quote letter](#)” is given as [Appendix 4](#).

The following [Appendices](#) are also relevant to the process:

- [5. Form of Quotation](#)
- [6. Instructions for Quotations](#)
- [7. Collusive Tendering Certificate](#)
- [8. Return Label for envelope](#)
- [9. LBB Code of Conduct](#)
- [10. Pricing Schedule Guidance](#)

Once the required minimum number of quotations are received the quotations need to be evaluated against predetermined criteria. The financial, technical and other issues to be considered can be drawn from the section on Tendering below but modified according to the value and complexity of the goods or service being procured.

## **6.4 TENDERING**

### **Introduction**

The requirements for tendering are included in Contract Standing Orders. Tendering is required at EU threshold (currently £174k June 2012) and the Council's Commercial Director (procurement unit) and Head of Legal must be consulted and their requirements followed. The following gives background information and advice.

The employment of appropriately qualified consultants will be required for the procurement and management of building works and all contracts requiring tendering, appropriate technical and evaluative advice may be available from architects (including the LA architects).

Tendering is a formal procedure in which suppliers are invited to submit a sealed bid to a purchaser. Their bid is then evaluated together with other bids received against specified criteria. This process is undertaken by a team, normally comprising the user, the purchaser and a technical expert, if appropriate.

The governing body should establish tendering policy and procedures. This entails determining:

- the threshold value of goods and services above which a tender must be used (if less than the Contract Standing Order level)
- who does what in the tendering process
- the delegation of authority in decision making if not the Governing Body

### **Preparation for 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
- overall requirements
- technical skills required
- after sales service requirements
- form of contract
- delivery dates/times.

Consideration should also be given to the short listing process (if necessary) and the format of presentations and/or interviews.

### **Invitation to Tender**

If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

An invitation to tender should include the following:

- a letter of invitation with instructions to tenderers
- a pre-addressed referenced label for tenderers to submit with their response
- introduction/background to the project
- scope and objectives of the project
- technical requirements
- implementation of the project
- terms and conditions of tender including requirements of section 9 of CSOs
- form of response.

Tenders should be submitted as sealed bids and on receipt a school should:

- record the date and time of receipt on the envelope
- store safely and securely the tenders unopened until specified date and time for opening.

### **Opening of Tenders**

Tenders should be opened as soon as possible after the specified deadline for receipt and this should only be undertaken by staff authorised to do so. The following information should be recorded:

- date and time of opening
- names and signatures of those present
- value of each tender
- details of suppliers who declined the invitation, or failed to submit a tender
- any omissions in the submission, e.g. documents, signatures, missing data
- any changes made with correction fluid should be circled and initialled.

### **Criteria for Evaluation of Tenders**

It may be useful after all requirements have been established to rank requirements, (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfillment of these requirements to help reach an overall decision.

Financial issues to consider should 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 schools should 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
- Ensuring that the tender price is the total price and that there are no hidden or extra costs
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. Schools may wish to examine suppliers' audited accounts. Schools should be aware that credit agencies can provide financial information on companies for a small charge
- The difficulty in changing contractors part way through a contract should this prove necessary. The financial implications may be significant.

Technical issues to consider should include:

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards



- Quality control procedures
- Details of previous sales and references from past customers.

Other considerations to be taken into account are:

- Pre-sales demonstrations
- After sales service.

### **Re-tendering of Contracts**

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 were issued too frequently unsuccessful firms may lose interest in re-tendering and a good relationship may not develop with the successful supplier. If a tender is issued too infrequently the existing supplier may become complacent leading to poor value for money.

### **Evaluation and Approval of Tenders**

Tenders should be evaluated against the set criteria. This will assist in ensuring value for money is achieved. The evaluation should be documented fully and the documents retained.

The evaluation process should involve at least two people. Those involved should disclose all interests, business or personal, which might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process. Positive confirmation should be required from all involved in a decision that they have no interest in the award. This should include friends and relatives.

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

### **Notification to Tenderers**

All organisations, who submitted a tender, should be advised of the outcome of the process as soon as is reasonably possible following evaluation of the submissions.

## **6.5 CONTRACTS**

### **Content**

Contracts must include the items referred to in section 9 of CSO and model contracts are given as **Appendices -**

**12. Model LBB Contract for the purchase of Goods**

**13. Model LBB Contract for the provision of services**

### **Sealing of Contracts on behalf of council**

**All contracts over the EU threshold for tendering are required to be sealed by the Council. This has the benefit of greater safeguards for the school especially after expiration of the contract.**

Schools should consult the Corporate Procurement Team and Legal Service at an early stage after authorisation to ensure correct procedures are adhered to and tender documents have appropriate terms & conditions that will form the basis of the contract. The school must approve the selection of the contractor by complying with Contract Standing Orders and the contents of this Guide.

The school must submit three items viz:

- a statement from the Headteacher specifying the authorisation and acceptance process the school has undertaken and a request that the attached contract document be sealed on behalf of the Council.
- a separate summary note as below and
- contract documents as set out below

On a separate paper, headed “**School Contract for Sealing by the Council**” the following details:-

- Name of the School
- Name of the contractor
- Brief description of the Service/Goods being purchased
- Value of the contract over the entire duration of the contract
- Length of the contract (and any extensions mentioned in the contract).

Schools should allow [10] clear working days for sealing and provide two copies of the contract already signed by the contractor with the Council’s attestation clause unsigned

**E.G. Council’s attestation clause: -**

THE COMMON SEAL OF THE MAYOR )  
AND BURGESSES OF THE LONDON )  
BOROUGH OF BARNET was hereunto )  
affixed in the presence of:- )

Assistant Director - Legal

Democratic Services Manager

The above information should be sent to:

Legal Services, London Borough of Barnet  
North London Business Park  
Oakleigh Road South  
London N11 1NP