



PROCUREMENT GUIDELINES AND RULES

2008 – 2011

Contents

1	Introduction.....	3
2	Context and Principles	5
3	Good Purchasing Practice	11
4	Making Competition Work.....	17
5	Deciding How to Proceed.....	19
6	Low Value Transactions	22
7	Negotiation	24
8	Tendering Process	26
9	Awarding The Contract	35
10	Managing Contracts	36
11	Variation	39
12	Termination	40
13	Rules and Guidance	41
	Appendix 1 – Glossary	44
	Appendix 2 – European Procurement Directives	46
	Appendix 3 – Contract and Procurement Rules	48
	Appendix 4 – Delegated Authorities.....	52
	Appendix 5 – Late Payment of Commercial Debts.....	55

1 Introduction

- 1.1 These Guidelines and Rules sets out the principles and procedures for best practise in purchasing. This document should be read in conjunction with Northwards' Standing Orders, Financial Regulations and Procurement Strategy and Value for Money Strategy.
- 1.2 The Guidelines and Rules exist to assist and protect the interests of Northwards and individual Officers, and to ensure that Value for Money is obtained in all procurement activities. It is important that they are viewed as **an aid to good management and not as a hindrance**. Followed properly they provide protection for Officers against criticism. Officers must be able to demonstrate that they followed procedure or had obtained the necessary authority for not doing so. The overall objectives are:

to ensure Value for Money is obtained;

to ensure probity in the award of contracts;

to ensure fairness and equity in the treatment of contractors or suppliers;

to ensure that procedures for placing contracts/orders comply with legislation;

to ensure records are kept which demonstrate compliance with Rules for Contracts and Financial Regulations.

- 1.3 Contract Law applies to arrangements between private sector and commercial organisations, public and governmental bodies, voluntary bodies, charities and other organisations.
- 1.4 Even if there is no formal tendering process, or possible alternative, the basic purchasing principles outlined in these Guidelines and Rules must be considered to make sure that any resulting legally binding agreement is in the organisation's interest.
- 1.5 All purchasing on behalf of the organisation must be carried out in accordance with Standing Orders and Financial Regulations. Every purchase and contract must comply with these Guidelines and Rules and no exception shall be made unless approved by the Board or a person(s) having delegated powers. In extreme emergencies the Chief Executive may give approval, which must be reported to the next Board meeting for ratification.
- 1.6 If an Officer fails to follow these rules it may render them open to action under Northwards' Disciplinary Process and may be viewed as gross misconduct. Board Members and Officers of the organisation must report breaches of these rules to the Director of Business Services.

Responsibilities of the Executive Management Team

- 1.7 The Executive Management Team (EMT) is responsible for ensuring that:
- a) All Contracts and Award Procedures comply with all UK and European Union legal requirements;
 - b) Existing and new employees are informed of their responsibilities under the Financial Regulations and Procurement Guidelines and Rules;
 - c) Financial Regulations and Procurement Guidelines and Rules are followed by everyone in the organisation;
 - d) Relevant records are maintained and retained.

Interpretation

- 1.8 For the purposes of these Rules 'EMT Member' means: the Chief Executive, the Director of Business Services, the Director of Neighbourhood Services, and the Director of Property Services.
- 1.9 'Officer' means any employee of Northwards or an employee of an external contractor engaged in the provision of services on behalf of Northwards, where compliance with these rules is incorporated within the terms of their contract.
- 1.10 Reference to a Decision Making Body (DMB) includes reference, as the case may be, to the Board Member, Director or Officer exercising delegated power in accordance with the Standing Orders of Northwards.

Delegated Authority

- 1.11 The EMT may delegate certain specific functions to individual Officers within their responsibility. An Officer having delegated functions shall be known as an "Authorised Officer".

Officer Responsibility

- 1.12 Whatever action is taken must be justifiable at a later stage. Officers **MUST** be able to demonstrate that efforts have been made to ensure Value for Money (VFM) and they have acted in accordance with the Procurement Guidelines and Rules and Financial Regulations. Officers should maintain written records of all actions and decisions.

Declaration of Interest

- 1.13 Any Officer involved in letting a contract with any material personal interest in the contract or sub-contract should declare that interest in accordance with the Northwards' Code of Conduct for Employees and paragraph 12.1 of Standing Orders.

Bribery or Corruption

- 1.14 All Officers and Board Members are required to conduct business in accordance with the Northwards' Codes of Conduct. Every purchasing agreement or written contract shall contain a clause empowering Northwards to cancel the purchasing agreement or contract if the contractor shall offer any inducement or reward of an illegal or corrupt nature in relation to the contract.

Conclusion

- 1.15 Purchasing at its simplest is an activity we encounter every day in our private lives. But the purchasing of goods and services on behalf of organisations is a professional activity, and needs to be treated as such. Where purchasing involves the spending of public money this is particularly important.
- 1.16 In practice, many Officers throughout the organisation have responsibility for purchasing as part of their devolved budgetary authority. The Strategy, together with these Guidelines and Rules, is intended to be of practical value to all staff when they are purchasing goods and services and for those involved in the management of contracts.
- 1.17 These Guidelines and Rules will be formally reviewed every three years and will be published on the Intranet and Internet. All suggestions for improvement and matters for inclusion are welcomed.

2 Context and Principles

2.1 Background

The organisation currently spends around £15m which is almost two thirds of its total annual budget on bought in goods, services and works. In addition it procures, together with Manchester City Council, considerable supplies through the Capital Works programmes. The effective procurement of these and of other future requirements is crucial to the achievement of Value for Money and Efficiency.

All purchases and contracts made by or for any part of Northwards must comply with these Guidelines and Rules. Any arrangement where the organisation pays or receives money or equivalent value, other than a contract to employ staff, must comply with these Guidelines and Rules. This includes contracts for:

- The buying and selling of goods, including the procurement of goods using purchase cards;
- IT purchases;
- Any work being carried out;

- Services (including financial and consultancy services);
- Hire, rental or lease (of goods);
- Acquisition of land;
- The supplying of a service to Northwards.

Whilst Northwards has now terminated its Service Level Agreement (SLA) with the Housing Services Procurement Team at Manchester City Council they are still available on occasion to advise and assist on purchasing etiquette and procedures. These will be in line with the Procurement Strategy of Northwards.

2.2 Vision

The vision behind the Strategy is to obtain Value for Money through the planned and skilful management of procurement and supply chains.

- ensuring the provision of Best Value in procurement for all goods and services required by Northwards;
- ensuring the right products and services are provided at the right time, for the right price;
- achieving the above while operating, as far as possible, in a way that is consistent with, compliments and promotes Northwards' values, policies and objectives;
- ensuring environmental issues are addressed, throughout the procurement process;
- ensuring the potential for the promotion of the local economy is addressed including Small and Medium Enterprises (SMEs) and the use of Black and Minority Ethnic (BME) Businesses;
- ensuring that maximum use is made of collaborative procurement arrangements;
- ensuring that sound rules, regulations and procedures are used that maximise flexibility and yet ensure contractual and probity requirements are achieved.

2.3 Policy and Culture

The organisation will:

- base the procurement of its requirements upon the principles of Best Value and will, as a result, continue to expect a mixed economy of provision in achieving efficiency, effectiveness and Value for Money in its services to the community;

- expect that procurement will be based upon a partnering approach in which both Northwards and the supplier seek to gain maximum mutual advantage through longer term relationships and continuous improvement. In connection with this it will be normal practice to measure outcomes rather than inputs;
- take a long term strategic view in respect of the procurement of its requirements, including the potential for innovative funding, the management and balance of risk and the opportunity for cross service/agency working;
- expect that, when it has determined that requirements will be sourced externally, these will be acquired as the result of competition unless there are compelling reasons to the contrary;
- where appropriate, seek advice from the market concerning funding, capacity, method and innovation and use its position and purchasing power to influence the development of markets;
- seek to work with others and through consortia in the procurement of its requirements, in order to widen the scope of its experience, maximise purchasing power and harness the economies of scale;
- consult with its staff in accordance with its established agreements and ensure that the views of staff are considered when making procurement decisions that affect them;
- consider sustainability as an important criterion in any procurement providing that the cost or availability does not prejudice service delivery.

2.4 Management and Responsibility

In respect of responsibility for procurement Northwards requires that:

- the procurement of goods, services and works will be the responsibility of each Manager, dependent upon their delegations, who will in turn consult with and appraise relevant Heads of Service and Directors, as appropriate, within the Best Value framework and if necessary seek Executive Management Team approval for larger purchases or where the future of staff might be a consideration;
- Teams act corporately in planning and carrying out procurement, drawing on existing experience and expertise. In the case of goods and services in common use the Director of Business Services will authorise one Head of Service to act on behalf of the organisation in formulating corporate contracts;
- every procurement which results in a legally binding agreement will be managed and led by an appropriately skilled Officer throughout the procurement process and during the life of the arrangement;

- contracts will be actively managed against clear performance targets and the supply chain strategy. The Executive Management Team will report annually to Sub-Committees on contract / supplier performance.

2.5 Rules and Best Practice

In respect of the rules and best practice the following apply:

- the framework of rules for procurement are those determined by EU and UK law and those set out within Standing orders, in that order of precedence;
- Standing Orders and Financial Regulations will be reviewed at least once every two years to ensure that Regulations and Best Practice guidance remain modern and relevant. Responsibility for this lies with the Director of Business Services;
- Northwards has set and published standards for the conduct of employees and will require adherence to these at all times. In all their dealings all concerned with suppliers will ensure the highest standards of honesty, integrity, impartiality and objectivity;
- in dealing with suppliers and providers Northwards will ensure that there is an equal opportunity, for all who meet the stated criteria, to participate in bidding for requirements. Whenever requested unsuccessful applicants will be provided with the reasons why and unsuccessful bidders will be given feedback;
- Northwards will seek to remove obstacles to conducting business and particularly in the case of local business will encourage participation in tendering;
- in appointing contractors, Northwards will appraise offers received on the basis of whole life costing and will seek an appropriate balance between cost and quality in the evaluation;
- in any procurement Northwards will consider the impact upon the market of particular ways of packaging and presenting requirements so that these are as attractive as possible, consistent with the needs of users.

2.6 Competencies and Training

The organisation:

- has established a range of competencies for procurement and will continue to improve this. This will form the basis for procurement training and staff development;

- will ensure that all officers responsible for procurement and contract management are fully trained and conversant with the principles of good procurement;
- will provide certificated training options based upon the competencies linked directly to job activities.

To address capacity issues that might arise through the procurement requirements of the organisation, Northwards will utilise a combination of resource applications including:

- utilisation of the Procurement Services from Manchester City Council and associated consolidation of requirements, collaborative procurement contracts and expertise;
- use of internal expertise to develop and manage appropriate regulations, systems, procedures and training;
- use of expertise within Manchester Working for procurement of repairs and maintenance contracts;
- use of Procurement Consortium;
- full usage of the Purchasing Card System;
- on-going monitoring of contracts, usage and needs.

2.7 Process Management

In managing procurement processes it is required that:

- Records and procedures set out in Standing Orders and Financial Regulations are properly maintained, decisions are recorded and clear audit trails exist in order to ensure openness, propriety, and probity;
- Resources relating to procurement will be kept under review as part of the Continuous Improvement cycle and the use of electronic and other means to reduce acquisition and transaction costs will be encouraged;
- The payment of suppliers is managed promptly and within Northwards' stated policy. Implicit within this is the need to continuously improve in the management and processing of invoices and to develop electronic trading.

2.8 What is meant by Purchasing?

When we talk about Purchasing we tend to concentrate upon the actual buying activity but in fact purchasing is about a chain of activities, which covers:

Understanding the needs of users	- Good Purchasing Practice
Understanding the marketplace	
Determining appropriate finance	
Specifying products and services	
Conducting competitive processes	- Making Competition Work
	- Deciding how to proceed
	- Low Value transactions
Negotiating contracts	- Tendering process
Implementing contracts	- Awarding the contract
Monitoring contractor performance	- Managing Contracts
Setting Client standards	
Managing client performance	
Making payments to contractors	
Managing variations to contracts	- Variation
Renewing contracts	- Termination

The sections in these Guidelines and Rules cover all the activities in the "Purchasing Process" and the various issues that an Authorised Officer should consider when framing the procurement exercise as required by Standing Orders and Finance Regulations.

2.9 Best Value and Procurement

The concept of Best Value developed more recently has replaced the Compulsory Competitive Tendering regime. The guidance gives twelve principles of Best Value, which can be summarised as;

- Consult customers, residents, service users etc. about services, standards and performance;
- Plan at strategic level, to deliver and improve services, with service plans that include performance targets;
- Test the quality and value of services against national and local standards and make other appropriate comparisons, including market testing where this is possible;

- Monitor, measure and report on performance;
- Where performance fails short of standards or targets, plan for improvement.

We have a duty to deliver and demonstrate "Best Value" and the 4 Cs of Best Value:

Challenge, Compare, Consult and Compete

are all an integral part of our Procurement Strategy.

3 Good Purchasing Practice

3.1 What does Purchasing mean?

Professional purchasing is concerned with obtaining the best out of the marketplace. To achieve this consistently requires the application of certain skills. There is no mystique about such skills but it is surprising how often they are forgotten or a seller can hoodwink a purchaser into ignoring them.

All purchases result in a contract between buyer and seller. A contract does not have to be a formal document - it does not even have to be in writing, so a conversation could create legal obligations for Northwards.

Almost all commercial transactions are governed by contract law, which provides both buyer and seller with legal rights.

The purchasing process should start well before the supplier is chosen and will continue after the contract is formed. Standing Orders and Financial Regulations provide the framework for this whether the purchase is of goods, services or work.

Clearly the scale of the requirement will determine the level and complexity of the purchasing process - it obviously would not be sensible or appropriate to carry out a lengthy exercise every time a small item is required.

Standing Orders and Financial Regulations recognise this and whilst they only require a highly formalised process at the point where European Procurement Regulations bite ([Appendix 2](#)), there remains the question of what to do about the majority of purchases that fall under these levels.

Standing Orders and Financial Regulations provide a framework within which Officers have discretion to determine the process and ensure proper personal accountability for decisions.

3.2 Where do you start? - Contracting Officers

In law, the very basic elements of a contract are:

- Offer
- Acceptance
- Consideration

If these circumstances exist, you must recognise that you are making a purchase, which is a contract, and take the appropriate actions.

Lack of time and inadequate preparation is the main enemies of effective purchasing. Ensure therefore, that you know the time scales involved in carrying out the required exercise and the amount of preparation that will be needed.

The first task is to consider what purchases you are responsible for, or may be responsible for in the foreseeable future. Then:

- stop and think how to go about it
- give yourself enough time
- take a radical and critical view of any traditional arrangements
- ensure that you are not duplicating someone else's efforts
- calculate the monetary value of your proposed contract
- develop your contract strategy.

3.3 Items in Common Use

These are goods and services where there may be an existing or future requirement by several users across Northwards and there are clear economies of scale to be achieved by aggregating the requirements.

Before embarking on any purchase for goods or services that may be in widespread use, discuss your requirements with the Executive Management Team and establish whether these are already subject to existing arrangements. This can save you time and effort.

3.4 Other Areas

There are other particularly complex markets that are covered by corporate contracts, These include, facilities management, energy, mobile 'phones, agency, recruitment and advertising. You should check to see if these could meet your needs.

In addition there are specific organisation protocols which include;

IT Equipment and Services

In addition to the requirements of Standing Orders, the purchase and disposal of IT equipment, software and IT related services are subject to specific rules (these can be obtained from ICT).

Management Consultants

Specific guidance on contracting with consultants should be obtained from the Director of Business Services.

3.5 How do you Prepare?

When you know you want to purchase something, you need to research and understand the relevant market. Do this by identifying and talking to possible suppliers. Do not underestimate the value of stimulating market interest, but always ensure those you talk to understand that ultimately there will be competition. Be careful not to give any undertaking that will compromise your independence.

Be wary of having your views coloured during this process by interested parties intent on clinching a quick deal. Consider the following:

"They've been so much help, they really deserve the contract."

"I know it's a good deal - the salesman said it's the best in the Country."

"I got on extra discount by signing the order there and then."

"I had to buy it straight away as the saleslady said prices go up next week."

"Why change - they've been fine for the past 10 years."

"There is only one price - everyone else accepts it."

Is the purchaser buying what they want, being influenced by sales techniques or perhaps justifying doing nothing?

The next step is to accurately define what you want.

3.6 Defining what you Want

A way to view the purchasing process is the achievement of the "5 Rights"

***Right Product - Right Time - Right Place
- Right Price - Right Quality***

You must know size, scope and specification of your requirement before starting any purchasing process.

Before any purchase order is made consideration must be given to:

NORTHWARDS HOUSING PROCUREMENT GUIDELINES AND RULES



- whether the purchase is really needed; and
- whether it can be met from within existing resources.

The following checklist should help

Do	Do Not
Right Product (or Service)	
<ul style="list-style-type: none"> ▪ Consult with the user ▪ Identify actual performance requirements ▪ Decide upon an exact and concise description of your needs 	<ul style="list-style-type: none"> ▪ Use brand names without good reason ▪ Make it more complicated than necessary ▪ Be vague – if you don't know, find out
Right Price	
<ul style="list-style-type: none"> ▪ Know the market – through wide research ▪ Know how the product/service you want is priced ▪ Be willing to ask for better prices ▪ Know how much you can spend ▪ Be aware of the economies of scale 	<ul style="list-style-type: none"> ▪ Ignore the vale of competition ▪ Forget the basic price may not be the end of the story ▪ Assume that 'big is beautiful' ▪ Mislead possible suppliers about how much you are going to spend
Right Time	
<ul style="list-style-type: none"> ▪ Know when you want things ▪ Know times scales and lead times involved in getting them 	<ul style="list-style-type: none"> ▪ Impose unnecessary time scales ▪ Leave too little time to complete a proper exercise
Right Place	
<ul style="list-style-type: none"> ▪ Identify precisely where goods, services or works are required ▪ Make sure the site is accessible 	<ul style="list-style-type: none"> ▪ Assume the market knows local conditions ▪ Hide the delivery implications
Right Quality	
<ul style="list-style-type: none"> ▪ Match relevant quality standards to true performance requirements ▪ Build in performance criteria and continuous improvement ▪ Think about specifying outputs rather than inputs ▪ Use recognised standards where available* 	<ul style="list-style-type: none"> ▪ Use proprietary names or specify brands ▪ Specify a higher quality than you really require ▪ Ignore what needs to be achieved in favour of describing the task ▪ Forget to monitor the output

These include, CEN (European Committee for Standardisation), ISO (International Standards Organisation), BS (British Standards) etc. EU Procurement Directives require the use of UK standards implementing European Standards, common technical specifications or European technical approvals - where these are available.

3.7 Market Intelligence

Market intelligence is the collection of information relating to suppliers and products for a particular purchase. It will help the purchaser in identifying probable suppliers rather than leaving it to chance. There is also a distinct advantage in being aware that different products or services are available to achieve the required contract performance.

Market intelligence can be achieved by identifying and talking to other purchasers and suppliers through adverts, surveys databases, seminars, networks, approved lists etc. These help target expertise, develop understanding and promote an informed working relationship, which will stimulate market interest.

3.8 Contract Strategy

Now you have a clearer understanding of the need, potential suppliers and the marketplace, you can develop your contract strategy. Be mindful of the time required to give the project its just deserves. A typical tender can take anywhere between three to seven months from conception to completion.

You will need to consider what risks are involved and how you can develop a 'win/win' package that is beneficial to you and attractive to potential suppliers. There are many areas you may need to consider and most are identified in these Guidelines and Rules. As your strategy takes shape, a timetable will emerge and it is essential that you allow sufficient time to comply with regulations and do things properly.

3.9 Finance

You must know how your proposed arrangements will be funded and may need to consider innovative ways to proceed (examples include leasing and sponsorship).

Following the definition of requirements an estimate must be produced in writing of the probable cost of the contract (inclusive of any relevant annual maintenance). No work shall be ordered or commenced until the appropriate approval to spend has been received and is included within budgets. Any proposal to incur expenditure that is not within an approved budget must be referred via EMT (Financial Regulations)

3.10 "TUPE" - staff implications

If you are considering buying in a service, the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE") may apply. These Regulations protect the employment rights of staff when their jobs are transferred from one employer to another. This is a very complex area where guidance must be sought at a very early stage.

3.11 Health & Safety in Contracts

There are specific responsibilities for Contractors working for or on premises or property controlled by Northwards and Manchester City Council. Detailed guidance is contained in the Health & Safety Manual, available from the Health & Safety Team.

3.12 Award Criteria

Every tender must include a written statement of what will be acceptable. This will include assessments of quality and capability as well as price.

Where the European, Procurement Directives apply, the award criteria must be included in the preliminary advertisement.

The criteria should include the relevant selection, if not all, of the following:

Status of Company

- company profile
- financial viability
- insurance arrangements including Professional Indemnity
- quality assurance procedures and status
- purchasing card capability
- technical ability and flexibility for change
- experience of successful completion of similar contracts
- health and safety policies
- equality and diversity of staff and monitoring
- reference sites
- contribution to the Values of Northwards

Operational Considerations

- delivery lead times and performance
- environmental issues
- management information
- resources available to support a flexible approach

Goods and Services Offered

- extent to which they meet the minimum requirement
- qualities above the minimum requirement that offer better Value for Money
- conformity to standards
- support arrangements

Cost

- initial price
- conditions of price (eg fixed, with or without variation etc)
- payment terms
- warranties and guarantees offered
- support costs

3.13 Making Evaluation

You must think through the awards criteria you are going to apply to the tenders you receive and have some robust way of measuring all of them (financial aspects are usually self evident, other criteria may be more difficult). Many teams use a score card approach with the application of weightings.

4 Making Competition Work

4.1 Why do we use Competition?

At the core of Standing Orders is the competitive process. Competition should be viewed not as a constraint, but as a tool in obtaining the best value in terms of both cost and quality that is available from the market place and the tendering process is one mechanism for this to be. This process is subject to review with the introduction of partnering initiatives. New guidance will be issues as appropriate.

4.2 Benefits of a Tendering Process

The benefits of a tendering process are as follows:

- It provides clear public accountability - a clear record of the process
- It protects employees from any suggestion of bias
- It provides a level playing field against which to judge to market
- It is the best way of ensuring Value for Money
- Potential suppliers have the same clear understanding of the requirement
- It provides a sound base for a properly constructed written contract

4.3 Principles of Effective Tendering

The following principles should be used to ensure tendering is effective:

- All tenderers receive the same information/identical documentation
- All tenderers work to the same time scale - fixed despatch/closing/opening dates
- Properly controlled opening procedures for tender documentation and bids guarantee confidentiality
- Conditions which protect the Northwards are included
- A clearly defined and transparent process for assessing bids is used

Wherever possible innovation and Best Practice should be encouraged by the use of variant bids

4.4 Working with your Supplier

We should be encouraging the building of professional relationships with suppliers and developing partnerships to obtain the best from the

market place. It is important that we are seen as able to do this as we work to provide quality services and achieve Value for Money.

This Strategy is intended to assist in achieving more effective ways of dealing with our suppliers. To achieve this objective the Northwards will also:

- provide training in procurement and commissioning and key skills and competencies such as negotiating for all relevant staff;
- give feedback to unsuccessful tenderers so that they know why they have not met the relevant criteria;
- ensure prompt payment of bills - within 30 days or specified period. Suppliers have the statutory right to claim Interest on late payments (Late Payment of Commercial Debts (Interest) Act 1998, [Appendix 5](#)). This is one of the organisation's performance monitoring indicators;
- seek to improve supplier relationships;
- seek to influence and develop a collective commitment to Equality and Diversity, Environmental considerations and compliance with the Disability Discrimination Act.

4.5 Ensuring Transparency and Probity

In the area of professional relationships in purchasing, as in all other matters, there is an absolute requirement to act properly and at no time to compromise standards of integrity and probity.

Similar standards can be expected from all we deal with, and individual responsibility extends to the reporting of concerns about illegal or improper conduct, neglect of duty and maladministration discovered or suspected.

Ethics and Public Accountability

Northwards' "*Code of Conduct for Employees*" includes guidance on what you should do if offered gifts hospitality bequests and sponsorship and defines what will be considered corrupt behaviour. **This is essential reading.**

Reference should also be made to the Whistle Blowing Policy.

Non-Commercial Matters

The Local Government Act 1988 prohibits the consideration of "non-commercial matters" in the primary evaluation of tenders. However legislation now allows "Non-Commercial Matter" to be considered for

the purposes of a secondary selection criteria, this includes contractors' terms and conditions of employment, promotion, training arrangements, etc.

It is advisable to ask for assistance if you believe there is any use of non-commercial matters in the evaluation process.

Anti-Competitive Activity (Competition Act 1998)

Similarly, contractors are required to let competition work in their markets. They are not allowed to have agreements with other undertakings that have the effect of preventing, restricting or distorting trade, nor are they allowed to use a dominant position in a market so that it affects trade.

The *Competition Act 1998* has full effect from 1 March 2000. If you suspect that a market is not operating freely you should bring this to the attention of the Director of Business Services.

5 Deciding How to Proceed

Financial value defines the thresholds where specific procedures apply.

Contracts must not be deliberately split up in an attempt to avoid moving up into the next tender category.

Depending on the value of the estimate, the appropriate Tender procedure must be observed (see summary below).

TOTAL ESTIMATED VALUE OF CONTRACT	TENDER PROCEDURE APPLICABLE
<p>If value exceeds the relevant threshold then EU Procurement Directives apply: Current EU thresholds are £139,893 for supplies and £3,497,313 for works.</p>	<p>EU Procurement Directives to be followed, seek advice from the Director of Business Services.</p>
<p>Value between £75,000 and EU Threshold Current EU thresholds are £139,893 for supplies and £3,497,313 for works.</p>	<p>These contracts must be let by one of the competitive procedures (open or restricted tendering or select / standing list) set out in the Guidelines and Rules.</p>
<p>£25,000 – but less than £75,000</p>	<p>These contracts should be let by one of the competitive procurement procedures</p>

TOTAL ESTIMATED VALUE OF CONTRACT	TENDER PROCEDURE APPLICABLE
	outlined in the Guidelines and Rules following the quotation process.
£15,000 - but less than £25,000	Providing the procedures outlined throughout these rules have been followed then a minimum of three quotations should be sought from companies chosen by the manager of Northwards providing that consideration is given to Value for Money and delivery capability before an order is placed in accordance with the normal procedures outlined in these rules.
£1,000 – but less than £15,000	Providing the procedures identified have been followed - then one written price agreement complete with full specification details from the potential supplier (providing that consideration is given to Value for Money and delivery capability before an order is placed).

Although this means that you must apply specific procedures, it does not mean that the procedures cannot be used for lower value transactions - sometimes there may be commercial or other benefits to be achieved.

5.1 **Contract Value**

It is important that you establish the monetary value of your requirement very early in the purchasing process as this identifies the processes that you must follow, influences the amount of work you need to carry out and indicates the level of commercial interest that will be generated.

You are also required to comply with the European Procurement Directives. The European Procurement Directives can have significant time implications - and have the force of law. Greater detail is given at [Appendix 2](#).

If, as in the case of some standing offer or call off contracts, there is no finite quantity within the contract, establish an annual value (this is required under European Supplies/Services Directives).

Do not split contracts simply to avoid compliance with rules or legislation concerning value, this would not only be bad practice, but is illegal.

5.2 Risk of Failure

With every contract there is a risk associated with full or partial failure. The level of risk will depend on the type and length of contract, stability of the service, conditions in the supply market and the risk to the user in terms of cost, quality and impact of contract failure. There are five elements to risk assessment:

- identify potential problems and their causes
- assess the probability of occurrence
- assess operational impact
- identify party best able to manage the risk
- devise strategies to minimise the risk.

During the procurement process, procedures should be introduced to manager down and eliminate risk. To be effective these processes must be included in contract conditions. Specialist advice should be sought as this can be a very complex area.

5.3 Liquidated Damages and Security for Performance

Liquidated Damages and Security for Performance Bonds and Guarantees are used to protect Northwards against the cost of putting right contract failures. They may not be necessary if a failure would be simple to rectify and not a "mission critical" disaster.

A Bond has cost which will be reflected in the price of the bid. You must make clear within the tender that the cost must be included in the bid as a separate item and will be considered as part of the evaluation.

Guarantees are provided by a parent company for a subsidiary and usually involve no cost.

For every contract the lead Officer must carry out a risk assessment, with advice from the Director of Business Services to ascertain if a bond or cash deposit at bank should be obtained prior to work commencing. This should be of a value that covers a best estimate of the costs to Northwards of a contractor defaulting on the contract. A formal note of the findings should be held on file, and factors to take into account include:

- damage to service if contract fails;

- costs of re-tendering;
- costs of continuing the service during the re-tendering period;
- consequential losses of income; and
- length of contract.

6 Low Value Transactions

Where the value **does not exceed £15,000**, the relevant manager may enter into such a contract with any person/supplier that he/she considers competent for the purpose. Verbal quotations must be confirmed in writing. There is an obligation on all Officers to achieve VfM and must be in a position to justify the award of an order.

There are occasions when the benefits of carrying out an exhaustive tender exercise are outweighed by the costs of so doing. There is no hard and fast rule here, but it is becoming marginal when the total purchase is likely to be below £15,000.

Whilst below this level a tender exercise might not be cost effective, there are still opportunities to improve the purchase by challenging the supplier on price, quality, delivery or any other relevant aspect of the purchase.

You may wish to consider whether a single tender might give a sense of competition to your intended supplier whilst avoiding the costs of a major exercise. There is also the possibility of requesting several quotations against a short time scale, but with a clear closing date. Do not ever rely entirely on word of mouth, at the very least, place an order on which is stated the price and quantity, as well as any other terms you have agreed.

For all small value purchases, make sure that:

- the product/service is not available through corporate contracts or internal providers;
- the accepted offer is the lowest price consistent with specification and quality;
- an official Northwards order is placed specifying the requirement, agreed price and terms;
- details of quotations are recorded or kept available (financial records should be kept for 4 years plus the current year);
- Requisitions are placed through the Finance Team.

Do not forget if you are repeating low value purchases, you may need to initiate a tender and establish a proper contract, You must not break down the requirement to avoid carrying out a tender.

If the estimated contract value **requires a tender process**, at least four potential contractors, who have expressed an interest, should be

invited to tender. This is the minimum number of contractors to be invited to tender, and a sufficient number of potential contractors should be invited to ensure full competition is achieved.

Potential suppliers may be selected on the basis of the Manager's knowledge of individuals or companies active in the field and the basis for the selection of potential contractors must be recorded in writing

The invitation to submit quotations must set out the criteria by which the contract will be awarded and specify the information that must be supplied in order for the selection to be made.

If less than three (3) potential suppliers respond to an invitation to submit written quotations, the Manager must be informed and his / her written consent must be obtained before any action is taken to accept a quotation.

The provisions of these rules concerning the number of tenderers may not apply if:

- The goods, materials to be purchased are proprietary articles, or services or works to be executed are of a specialist nature; i.e. can only be purchased or provided by one supplier; and
- The Member of EMT responsible for the decision decides accordingly.

Officers may compile 'Approved Lists' of all persons capable of performing contracts of particular types, with an indication of the maximum value of work, which they might undertake.

No person shall be approved until there has been an adequate investigation into their financial and technical abilities, to the satisfaction of a member of the EMT or the Director of Business Services. The list of contractors must be forwarded to the main Board before contracts are let. Any additions to the list must be approved before a contract is awarded to that company or individual.

Potential tenderers must be formally asked to tender in writing, for the work specified, at least 7 days in advance of the closing date for the tender, which must be clearly detailed in the letter. Consideration must be given to the complexity of the contract and the time required by contractors to prepare a tender price.

There must be no indication of the identity of the sender on the envelope submitted and the tenders shall remain in the custody of the Director of Business Services until the time appointed for opening.

Tenders must be opened at one time in the appropriate office of Northwards in the presence of those Board Members or Officers who

have been designated for that purpose for these Rules. The Director of Business Services should keep a record of all tenders received in a tender book and a Board Member should sign the book as evidence that the entries are correct.

DESIGNATES FOR TENDER OPENING	INDIVIDUALS
Designated Board Members	Any Board Member
Executive Management Team	Any one member of the EMT
Designated Managers	The officer responsible for the tender

All tenders received should be evaluated and ideally there should be four tenders submitted.

6.1 Legally Binding Agreements - Contracts without Competition

There may be occasions when you may want to make an agreement to carry out services, or to supply or purchase goods or services, where there is no opportunity for competition. This is often the case when there is only one supplier with the ability and resources. The supplier may be another public body or voluntary agency and/or the goods or services may be limited by law or regulation to one supplier.

In determining whether the agreement will be legally binding you should ask yourself whether it has the elements required by Contract Law. These include:

- *Offer* - is there an offer and ability to provide goods and/or services.
- *Acceptance* - is there a need for the goods/services and do you want to accept the offer
- *Consideration* - does any money or other form of reward change hands.

If this is the case, then you should ensure that the agreement is properly put together in a written form and signed by both parties. It should have a clear specification, full details of the basis of any payment or consideration, terms and conditions of operation and, where appropriate, the means of agreeing any CO variations.

This is a complex area, if in any doubt you should seek advice.

7 Negotiation

In the Purchasing Process, and particularly if you are not tendering, it is inevitable that you will be involved in negotiation.

You should never accept what is offered on face value.

NORTHWARDS HOUSING PROCUREMENT GUIDELINES AND RULES



Negotiation is an acquired skill - there is always expertise and training available to help if you need it. For further information contact Human Resources for details of courses organised in relation to procurement and contact negotiating skills. Don't be reticent in asking for help from your line manager, the Finance Team or the Director of Business Services.

If you carry out the negotiation yourself - the following may be useful.

Do	Do Not
<ul style="list-style-type: none">▪ Seek advice	<ul style="list-style-type: none">▪ Leave yourself short of time
<ul style="list-style-type: none">▪ Be well prepared and have clear objectives	<ul style="list-style-type: none">▪ Be outnumbered
<ul style="list-style-type: none">▪ Choose and control the time and place	<ul style="list-style-type: none">▪ Be afraid to say 'No'
<ul style="list-style-type: none">▪ Dictate the pace of the proceedings	<ul style="list-style-type: none">▪ Reveal your hand
<ul style="list-style-type: none">▪ Preserve your integrity	<ul style="list-style-type: none">▪ Allow yourself to be pressured or flattered
<ul style="list-style-type: none">▪ Ensure your opposite number has the authority to negotiate	<ul style="list-style-type: none">▪ Make promises you can't deliver
<ul style="list-style-type: none">▪ Avoid being adversarial	<ul style="list-style-type: none">▪ Feel you have to strike a deal there and then
<ul style="list-style-type: none">▪ Control your body language	<ul style="list-style-type: none">▪ Get into a 'Dutch Auction'
<ul style="list-style-type: none">▪ Separate the people from the objective	<ul style="list-style-type: none">▪ Get backed into a corner – keep something in reserve
<ul style="list-style-type: none">▪ Remember striking the right deal is more important than winning	<ul style="list-style-type: none">▪ Betray commercial confidences
<ul style="list-style-type: none">▪ Have a plan in case of failure	
<ul style="list-style-type: none">▪ Get the result in writing	

In very specific circumstances the European Purchasing Directives allow for a negotiated process but if you are involved in this, you should have support and assistance of the Director of Business Services or a professional.

8 Tendering Process

This section does not apply to tenders for building and civil engineering work and associated professional services. There are separate prescribed procedure for these areas which are industry specific and accord with Standing Orders.

8.1 Tendering Procedures

Making tender documents user friendly is essential if you are to get the best from the market place. Advice and guidance can be made available. Every tender should contain:

- i) Formal Invitation
- ii) Instructions to Tenderers
- iii) the Closing Date
- iv) Award Criteria
- v) Definition of Size and Scope
- vi) a comprehensive Specification of the Requirement
- vii) Contract Period
- viii) Mandatory Conditions of Contract
- ix) Specific Conditions of Contract
- x) Performance Criteria
- xi) Dealing with Variations (incl. price, service and performance)
- xii) Continuous improvement
- xiii) a termination clause
- xiv) Format for reply
- xv) Instructions for return of tender
- xvi) Pricing format (including treatment of VAT)
- xvii) Tendered rates, prices, costs, options
- xviii) other prescribed information
- xix) Offer and Acceptance proforma

8.2 Seeking Potential Suppliers and Public Invitation to Tender

If you have properly researched the market you may have a clear view of the range of relevant suppliers. It may be appropriate, or European Procurement Directives may require, that you advertise your requirement to create the widest opportunity for suppliers.

8.3 Developing Markets

You may find yourself in an area where there is no market. In this situation you should research the options and explore:

- the service developments that are anticipated in response to best practice,
- legislation or user views
- the current market for the provision of the service(s)
- new combinations of service which the market place suggests could

deliver best value

- the alternative ways to procure the service(s)

This will require engagement with the markets, perhaps through:

- holding discussions with selected private and voluntary sector providers
- sending a questionnaire to suppliers to ask how they could add value
- discussing existing experience with other authorities who have contracted the service from an external provider
- holding a contractors' briefing day to explain the objectives of the authority and to elicit their views

Although let's not kid ourselves that we can just go out and make a market - it needs time, effort and collaboration,

8.4 Selecting Tenderers

Once you have received notice from those contractors or suppliers that are interested in working for Northwards, you need to select those to be invited to tender.

Too few and you will not have real competition. Some suppliers/contractors may not submit tender bids as they consider that the odds on success are poor. It is important to make the tender process clear so as to encourage a wide range of suppliers/contractors to submit tender bids.

8.5 Vetting Potential Tenderers

Before inviting interested parties to tender, you should satisfy yourself that they, are bona fide and will be able to supply Northwards with the desired product or service, to the required quality, for the duration of the contract.

To achieve this you will need to vet your potential tenderers both technically and financially and if necessary a secondary evaluation based on no commercial such as the environment, employment and local issues.

You must decide prior to inviting expressions of interest, the criteria that you will use to select your short-list of tenderers and potential suppliers need to be aware of your criteria in advance. The criteria must be objective and appropriate to the proposed transaction, they will include;

- financial stability;
- capacity;
- track record;

- product/service quality;
- references.

The criteria must be applied equally to all applicants without bias and the should be recorded. If you exclude any applicants, they have to be notified that they have been rejected and if they request reasons for their rejection you are legally obliged to provide them with reasons within 15 days (Local Government Act 1988).

To ensure that Northwards have consistent standards for selecting tenderers there is advice and guidance available if needed.

Where large contracts are being tendered, advice should always be sought.

8.6 Selecting Tenderers

It is more than likely that there will be more companies asking for a tender than it is practicable to send to. Therefore the applicants must be sorted so that the most suitable companies are asked to submit a tender.

An evaluation is necessary to assess the financial and technical capabilities of the company.

This is achieved by first asking the companies to provide suitable information with their application. This may include:

- Audited accounts, usually 3 years;
- a number of reference sites where the same or similar work is being done;
- Company profile giving staff numbers, location, statutory certification, membership of professional bodies or trade organisations;
- Equality & Diversity policy and evidence of monitoring.

A good route in obtaining this information is through a process where the applicants complete a pre-qualification questionnaire (PQQ) that identifies those attributes that the companies must possess in order to be considered for the select list.

Having obtained the information it must be analysed and references sought giving each element a suitable score against the given criteria. Tenders are then sent to the highest scoring companies, usually three to six in number.

8.7 Despatch of Tender Documents

Despatch of tenders should be dealt with in a consistent and fair way that to ensure that no tenderer is given an advantage. As a rule you should send all tenders out at the same time.

Exceptionally, you can send a tender to someone who applies late providing that they meet the same standards set for the others. Naturally such an addition will need to meet the stated closing date.

You must never send a tender out after the date of receipt of tenders

You must make a formal list of those you are sending tenders to and ensure that no-one is added or deleted without authority.

If any tender has been received, you must not extend the closing date.

If there are compelling reasons to extend the closing date, the extension must be applied to all tenderers - however this is not good practice and should not be done without seeking guidance.

8.8 Briefing Tenderers

A tender may be a daunting experience for some suppliers. You need to consider whether the size, scope or complexity of the requirements justifies a formal briefing.

A well written tender will go a long way toward making your needs clear. But experience shows that in complex or new areas, briefings have advantages and may stimulate new and innovative solutions.

You must treat everyone in the same manner and the simplest way of doing this is to hold a single session to which all are invited. Remember that tenderers may not want to ask sensitive questions in this environment in case they give away too much to their competitors.

At the very least there should be a named person who will answer tenderers' questions and ensure that all tenderers are treated in the same manner and provided with the same Information.

8.9 Amendments to Tender Documentation

You can, in exceptional circumstances, amend details of the tender document after it has been despatched, provided that:

- no one has already returned their offer
- amendment details are despatched to everyone at the same time.

If these conditions cannot be met, and the change is significant you should cancel the tender and start again.

Fax or other electronic media may be used, although receipt should be verified and such details followed up in writing.

8.10 Receipt of Tenders

Tenders are to be returned to the tender box, which is located at the third floor main reception.

Tenders should be returned in the official envelope marked "Director of Business Services office". The envelope is clearly marked as a tender return. A member of EMT must be in attendance to assist in the tender opening and record the bids received.

8.11 Internet, Email, Fax, Electronic Media and Communication

The normal usage of fax and email do not meet the requirements of Standing Orders and should not be used for the return of tenders. These systems may be appropriate for other communications associated with the tendering process as long as arrangements are made to independently confirm receipt and a hard copy 'is kept of any matters that may have legal importance.

Email use must be in accordance with Northwards policy.

The ordering of goods, products and services via the Internet is an area where the Northwards' policy is still being formulated - particularly to ensure the secure application of Northwards' terms and conditions. Under these circumstances it is not seen as good practice for ad hoc purchases to be made in this way.

Any person wishing to make regular use of an Internet supplier should contact the Finance Team who will facilitate the proper use of this by agreeing appropriate corporate terms and conditions with the supplier.

8.12 Evaluation of Tenders

You should accept the lowest offer complying with your award criteria (or the highest in instances where payment is to be received).

Award criteria should consider quality, capability and price. It may be appropriate to develop an evaluation model that gives weightings to the financial and non-financial elements. Many of the non-financial issues will emerge while the specification is being developed and the resulting price/quality formula must be agreed before tenders are issued.

To make sure that you are comparing like with like, you must ensure that the prices offered relate to the specification and the criteria you have selected for award.

The following checklist should help:

- check all bids received comply with the specification - you may have to examine plans, drawings, samples etc;
- check the tenderer has answered all the questions. If there is any missing information you may seek clarification - see errors below.
- make a schedule which compares each bid against your declared award criteria;
- if you specified criteria in addition to price, you will have established how these criteria can be evaluated objectively;
- all tenders must be evaluated but it is reasonable to shortlist the best two/three tenderers for closer examination where necessary;
- where appropriate, arrange presentations by tenderers. You must offer equal opportunity but might restrict this to shortlisted tenderers where the facts show this to be reasonable;
- consider the "whole life" costs where appropriate (they should be indicated as criteria within the tender);
- Take an objective view of the real value of financial elements such as settlement discounts, length of fixed prices, basis for reviewing prices, quantity breaks and other variable price options within each bid;
- it is not good practice to get involved in general conversations or routine meetings with tenderers during the tender process. If you do this you may find yourself under unnecessary pressure and make comments you may regret. This applies throughout the process;
- consider if Post Tender Negotiation is appropriate (see below);
- never discuss details of a bid with any other tenderer - respect commercial confidentiality;
- reach a conclusion that you are confident meets the requirement of your award criteria;
- ensure you have budgetary provision.

8.13 Errors

As a general rule where an error in a tender is discovered, tenderers should be given the opportunity to 1) confirm without amendment or 2) withdraw tender or quote or 3) to correct genuine errors, provided that no other revisions, adjustments, or qualifications are permitted. This should only be used if the price difference between the lowest and second placed tender is more than the value of the error.

However, where there is a genuine typing, printing or arithmetical error the tenderer can be given the opportunity to correct this, although the appropriate Director must be involved in this decision.

You need to be quite sure the error is very obvious e.g.

- $2 + 2 = 5$
- £1,000 is tendered when other bids are around £100 or vice versa
- 10 years delivery lead time for a readily available item etc.

If you are approached by a tenderer claiming an error, you need to be particularly vigilant e.g., "I meant "£2.23 not £2.32". You must ask yourself if what is being claimed is genuine or an attempt to resubmit a more competitive price.

Where information is left out, you may seek clarification as long as it aid's understanding rather than being crucial to the outcome. Except where is an obvious typing error, perhaps one item missed from a long schedule of 'identical prices, it is not good practice to allow corrections of price omissions.

In some cases the behaviour of contractors may give cause for concern and indicate anti-competitive activity.

8.14 Post Tender Process

If the initial evaluation shows that the tenders received are indicating financial arrangements that are;

- not within the budget; or
- in the opinion of the Officer, too low to be credible; or
- so similar as to be considered identical by the Officer.

then it is reasonable to ask the tenderers concerned (those that are clearly in the competitive shortlist) to submit 'best and final offers',

If you decide to do this you should ensure that all tenderers involved are given, the same information at the same time. This information must include the time limit for receipt of such bids and the normal tender receipting and opening procedures must be adopted to deal with the responses.

8.15 Post Tender Negotiation

Providing you work within this framework, you should always take the opportunity to explore the potential, or improving the value that can be obtained by Northwards.

Having decided on your preferred supplier, you need to decide whether you should embark on a Post Tender Negotiation in order to get a better deal. This process may produce extra additional offers or reveal issues that may the evaluation. However, **there must be justifiable reasons for negotiations**. Attention must be given to the costs of negotiations and the EU rules, in particular those relating to desegregation.

Negotiation will only be permissible where a resulting amendment to price would not make any other offer the best. Any changes must not

significantly move the goal posts - particularly in relation to the specification or contract conditions.

The decision to undertake Negotiation is not to be made lightly, as mismanagement can affect the transparency and equality of the tendering process.

You must not engage in a 'Dutch Auction' with more than one tenderer.

There are some golden rules:

- set clear and agreed objectives - put them in writing for your own use;
- do not reveal your hand - "you've got the contract, now let's negotiate";
- do not engage 'in negotiation on your own - have appropriate support;
- deal with it like any other negotiation - use the appropriate skills.

In these circumstances it is reasonable to indicate the position of the tenderer but it is important to avoid committing yourself too soon. You could say,

"You are favourably placed if we can sort out some outstanding issues"

The outcome of such negotiation must be recorded in writing, agreed by both parties and reference made to it in the contract documents.

The Director of Business Services must be given reasonable opportunity to comment on the financial outcome of a Negotiation if it relates to a change in price or financing cost.

Post Tender Negotiation

Post tender negotiation is an appropriate process to secure Value for Money provided that it is undertaken professionally and ethically. However the organisation needs to ensure compliance with the EU Procurement Directives which have rules relating to the use of post tender negotiation.

For contracts let which do not have to comply with these rules, whether within or outside the Public Sector, it is the responsibility of the lead Officer to determine whether, for any particular contract, post tender negotiation should be undertaken.

Bid clarification i.e. detailed discussion about the offer, should, subject to for example the EU Procurement Directives, usually comprise the final stage after receipt of tenders and before contract award; it will normally lead to improved value being obtained from the chosen supplier. This is because there are often points in the tender which

need to be discussed to obtain a better understanding of the offer. It may also be necessary to undertake bid clarification with several suppliers, for example if a bid appears especially low, or especially high on price. During bid clarification, discussion might take place around the specification or delivery period for example. This may lead to negotiation on terms and conditions, warranties, payment terms or price for instance. It is important however, that during this process of negotiation, the changed offer does not alter the competition. Where the negotiation is taking place with the clear winner, as judged against the pre-set selection criteria, it would not matter if the outcome dramatically changed. The problem arises where for instance, three suppliers are undergoing a process of bid clarification and negotiation and the third most attractive offer suddenly changes substantially. It could be argued that, when such a situation arises, the bid process should begin again with all suppliers being invited to submit bids against the new requirement.

During post tender negotiation on price, suppliers must be treated fairly and courteously. The person responsible for negotiating should be the purchasing and supply management professional, but where this is not the case, it is the responsibility of the purchasing and supply management professional to ensure that the negotiator does not conduct, for example, a Dutch auction, that is playing one supplier off against the other until the price is driven down. Dutch auctions in post-tender negotiations are unprofessional, are not within the suppliers control and as such are an abuse of the buying organisations power. However, it is common practice to provide all bidders, or at least preferred bidders i.e. a short, with a list of all the costs/price as obtained in order to receive best and final offers. It could be argued that such a process is similar to e auctions. The difference is that in e auctions, suppliers know what is to happen to their bid, and they are in control. Where the buying organisation intends to circulate details of the bids to suppliers, this intention should be made known to the supplies in advance of the tendering exercise and they should know whether or not the prices are to be circulated anonymously.

Whenever negotiations are authorised in line with this clause such negotiations shall be conducted in accordance with the Procurement Guidelines and Rules, and advice should be sought from the Director of Business Services.

Detailed below are the delegations for negotiations, renegotiations and contract extensions.

TASK	VALUE	DECISION MAKER
Approval to Negotiate	Over £200,000	Two Board Members
	Up to £200,000	One Board Member and one member of the EMT
Negotiation	Over £200,000	A minimum of 2 Officers and a

Process		Board Member to be present, including a member of the EMT
	Up to £200,000	A minimum of 2 Officers to be present, including at least one member of EMT.
Outcome of Negotiation	Above £200,000	The Chair or Vice-Chair
	Up to £200,000	A member of the EMT
Approval to utilise optional 1yr or 2yrs extension term included within a Contract	All values	A member of the EMT
Approval to extend a Contract beyond its original term	Up to £200,000	The Board
	Over £200,000	Manchester City Council.
<i>Note: Forward details of the outcome of all negotiations to the Director of Business Services.</i>		

8.16 Contract Conditions

It is common for tenderers to try and impose their own conditions of contract or to want to re-negotiate the conditions originally set. Such attempts should be resisted, but there is benefit in working through these issues to improve the understanding of both parties.

Northwards' conditions of contract are designed to protect the organisation's interests, and so may conflict with a contractor's conditions.

The last conditions offered before the contract is formed, may be those that apply. So be aware of the need to win the "battle of the forms" (a simple example is the acknowledgement of your order that offers the seller's conditions of sale, which may be applied to your contract unless you refute them).

9 Awarding The Contract

9.1 Contract Award

Before awarding a contract, all the loose ends must be tied up and formalised in writing either by exchange of letter or other document signed by both parties.

Seek the advice and guidance from the Director of Business Services in the instance where you will be deviating from the standard form

contracts. This will usually be the case for large and complex purchases.

A contract executed as a deed must be used for all works, goods and services exceeding £75,000. Below this figure the Authorised Officer must use professional judgement to decide on the form of contract, however, consideration should be given to obtaining further advice from the Director of Property Services or the Director of Business Services.

9.2 Keeping Tenderers Informed

It is good practice to ensure that unsuccessful tenderers are fully informed. This does not mean a curt note; neither does it mean a detailed discussion of other tenderers' business. What you should tell unsuccessful tenderers **is**:

- their rough positioning within a league table;
- broad guidance on the disparity between their bid and the successor one e.g. a rough percentage;
- any areas where their bid did not reach the required standards;
- if appropriate, an assurance that they will be considered again.

Remember

**Contractors gave you information - not their Competitors, it is
*Commercial and in Confidence. Respect that Confidence.***

10 Managing Contracts

10.1 Introduction

Every contract must have a Contract Manager. Contract Management makes sure that all parties to a contract fully understand their obligations and fulfil them as efficiently and effectively as possible to maximise best value. This role is vital where contracts increase in value and complexity.

Contract Management has two interdependent parts:

- The **performance** of the contract and the establishment and management of various processes, procedures and protocols that underpin the contract including the Identification, allocation and management of risk;
- The **relationship** between client and contractor, which is largely about adopting the appropriate style and behaviour, as the contract provides the foundation for the relationship between both parties.

10.2 Contract Performance

Depending upon the nature and extent of the contract, the Contract Manager's remit may be extremely wide and will normally include the following;

- Managing the relationship
- Monitoring costs and volumes
- Reviewing and reporting on performance
- Agreeing variations
- Authorising payment
- Dispute resolution and where conciliation fails, applying the sanctions provided for in the contract, which may include termination
- Keeping records and ensuring an audit trail
- Assessing and managing risk
- Encouraging continuous improvement
- Maintaining ethical standards
- Contingency planning
- Researching the market and benchmarking
- Ensuring that an audit trail is maintained
- Managing the change from one contractor to another

The Contract Manager may not be required or be able to perform all these activities personally and may have a contract team or other staff commissioned to assist.

10.3 Risk Assessment and Management

Risk is a significant factor, which the Contract Manager must manage if the best is to be drawn from the contract.

The level of risk associated with an individual contract will depend on the type and length of the contract, the stability of the service, conditions in the supply market and the risk to the user in terms of cost, quality and the impact of contract failure.

It is vital to ensure that the ways that are devised to manage down risk include a viable exit strategy.

10.4 Relationship and Style

A contract develops from its implementation through to maturity and completion; it may also have contract conditions that require continuous improvement - this all means change.

It also means that the Contract Manager's style will probably need to change during the life of the contract. The style should be reviewed regularly and particularly after the initial phase and prior to the end of the contract.

There are no hard and fast rules to determine which style is "correct" and different styles will be used in different combinations to match circumstances.

So, for example, the style and skills that need to be adopted in managing a multi-functional facilities management service will be different to those needed to manage a contract for the supply of one particular product.

10.5 Partnering

Partnering is the approach most likely to bring long term success in today's changing environment where flexibility is needed to meet the customer's needs and deliver increasingly better value.

Partnering may grow out of an existing contractual relationship or be specifically developed. This may involve other public sector bodies, the private sector, charities and other agencies.

This is a complex issue as it has implications regarding the drawing up of formal contracts and the application of both Standing Orders and possibly the EU rules.

10.6 Payment of Official Contracts

All payments to contractors as a result of contracts shall be made on a certificate issued by the appropriate officer, which shall show the total amount of the contract, except where there is not a clause covering retention monies. In that case the need for a certificate may be dispensed with, but will still need a written payment request, e.g. an invoice. Each certificate will detail the total amount of the contract, the sum paid to date including the instalments certified, the balance remaining and the percentage of retention money.

Every 'Extra' or variation to a contract shall be authorised in writing by the appropriate officer, or duly authorised agent of Northwards.

For works contracts, goods on site should only be paid for in line with contract conditions. Purchases of goods to be held in a "bonded" store are subject to approval by a member of the EMT.

No contractor should be paid without the deduction of income tax at source unless the contractor has a valid tax deduction certificate.

All payments due under contracts should be made in accordance with contract terms to avoid interest penalties unless there is a valid reason not to do so.

10.7 Assignment and Sub-Letting

A contractor shall be prohibited from transferring or assigning directly or indirectly the contract or any portion thereof without the written permission of Northwards.

All contracts made by or for any part of Northwards must include a clause enabling its assignment to the Council at such time that the ALMO should come to an end.

Consent will not be required for sub-letting as long as it can be shown to be customary in the trade and the contract conditions are complied with.

10.8 Goods and Materials Used in Execution of Contracts

Every contract shall require that goods and materials used in its execution shall be in accordance with the appropriate British Standard, ISO Standard or recognised equivalent in any EU Country unless the Board decides otherwise.

10.9 Liability Insurance

Where the contract is for any works or services the Director or Authorised Officer must be satisfied (by physical verification) that the contractor has sufficient Public and Employees Liability Insurance prior to the commencement of the work. The Director of Business Services must specify in advance the appropriate level and type on insurance required.

11 Variation

In all but the most specific or short term contracts, there may be a need to deal with variations. These are not necessarily matters that you can control or predict, but a well-constructed contract will cover most eventualities for example it will include provision for extension by time, volume, value.

This means that processes for variations are included within the Terms and Conditions of the contract and may be dealt with by Contract Manager as negotiated variations.

11.1 Price

All parties to contract may be able to identify the need for variations. The Customer's needs may change, there may be a better way of doing things, or most commonly the contractor wants to raise the price.

Unless there is a fixed price arrangement, in the running of most contracts there comes a time when your supplier will want to adjust the price. If you have constructed your contract properly, you will have

anticipated this and have a clear basis on which such adjustments can be calculated.

11.2 Dealing with Poor Performance

It is essential that when entering into a contract both parties are fully aware of what each other's expectations are. From the purchaser's perspective if the supplier is not fully aware of their responsibilities or there are areas of the contract which can be misinterpreted then there is a chance that a dispute will arise in relation to contract delivery in the form of poor delivery.

To avoid this, agree with the supplier at the outset how the contract will be monitored and what are the critical success factors. Define time scales for reviewing performance e.g. every month, quarterly or half-yearly etc.

However although every effort has been made to ensure a smooth and effective delivery of the contract there are occasions when contracts do not work to our satisfaction. It is a primary role of the Contract Manager to deal with these issues and there are some essential elements to this process;

- Don't ignore it, nip it in the bud
- Define and understand the cause of the problem
- Determine the extent of client, user and contractor Involvement
- Discuss and agree improvement strategies that include clear targets and time scales
- Consider whether and at what stage sanctions are appropriate
- Agree performance criteria and review progress
- Keep everybody informed
- Record everything and ensure that it is acknowledged

12 Termination

12.1 Termination

Every contract must contain a clause that allows for immediate termination in the case of bankruptcy, corruption, collusive tendering or a material breach.

It is also wise to include a clause that provides for termination on the grounds of poor performance or ever, inability to reach agreement on price. In such cases however, you will need to ensure you have given reasonable notice and have clear documentary evidence to support termination on these grounds.

It is becoming more common especially when considering Best Value and Partnering to award contracts for periods of 10 years or longer. This brings its own problems and an exit strategy must be allowed for.

It is not uncommon to include a termination clause, which allows for either party to give a fixed period of notice - frequently 3 months. This allows termination of a contract due to, for example, a change in circumstances. There are some risks attached to this as it also allows the contractor to give the notice which may not be to your advantage. When constructing your contract you need to take a view on this and make sure that you have enough time to organise an alternative. It is advisable to seek advice from the Director of Business Services.

12.2 Exit Strategy

Proper contract formation and the application of these Guidelines and Rules should minimise the risk of premature termination or failure of a contract.

The main point is to plan ahead and allow enough time to implement a smooth transition between the outgoing and incoming supplier.

13 Rules and Guidance

Teams are structured in different ways and therefore who is involved in placing the order or negotiating with suppliers will be different in many circumstances. It is necessary however to ensure that there is a clear understanding of the responsibilities and who's they are.

13.1 Levels of Responsibility

There are no specific levels of responsibilities however it would be best practice for Officers to empower certain individuals to act in specific areas, and this information should be circulated within the team.

Levels of responsibility may differ from person to person where more one individual is identified at any specific level, and could be defined by:

- Value;
- Product or service area; or
- On a contract by contract basis.

13.2 Financial Levels

Standing orders specify that for any contract under £15,000 the relevant officer may enter into such a contract as he or she wishes. For contracts with a value of between £15,000 and £25,000 the relevant officer must seek at least three quotes. Contracts over £25,000 are subject to formal tendering procedures.

In addition to the Standing Orders, Northwards is obliged to follow the EU procurement rules. These rules are complex and therefore you must consult with the Director of Business Services, who will obtain advice if appropriate, for guidance as to their application.

13.3 Keeping Records

The Director of Business Services has advised that it is necessary to keep records relating to contracts, as these may be required in the event of disputes arising. In principle where contracts are under hand, proceedings must be brought within six years and under seal, within twelve years. These are very much the minimum periods for the retention of information and no documentation relating to contracts should be destroyed until eight years have passed from completion of contracts which are under hand and 15 years in respect of those under seal.

It is important that records are kept where they relate;

- a) Decisions made in the contractual process. The reason for this is twofold;
 - i) Enable a clear audit trail to be followed through the life of a contract;
 - ii) Ensure that Chief Officers, Contracting Officers and Contract Managers are protected against any claims of impropriety; and
- b) The operational management of the contract.
 - i) Demonstrating delivery to specification and identifying and rectifying non-conformance.

13.4 Minimum Requirements

All contracts/agreements entered into on behalf of Northwards shall be entered onto the Contracts Register ensuring that all purchase orders raised in relation to the contract/agreement included the Contract Number from the register within the header.

A Directorate Contract Register may also be required to be maintained, as such it should include the following 'minimum Information, although the format is a matter for the Director to decide;

- Contract Reference and Name
- Contracting Officer
- Chief Officer
- Contract Manager
- Estimated Value
- Contractor/Supplier

NORTHWARDS HOUSING PROCUREMENT GUIDELINES AND RULES



- Tendered Amount
- Start Date
- Contract Period
- Completion/termination Date

Appendix 1 – Glossary

Aggregation	The combined value of individual work, goods or services of the same specification
Approved List	A list of potential contractors or suppliers who have been vetted and deemed capable and suitable to perform work or supply goods
Bonds	An “insurance” which in the event of the contractor not being able to fulfil the contract will provide the company with financial compensation. This should cover the costs of reletting contracts and short term emergency service arrangements
CCT	Compulsory Competitive Tendering
Company	Northwards Housing Limited
Council	Manchester City Council with reference to the Housing Stock owned by that organisation
Contract	Written or spoken agreement enforceable by law. Usually refers to the written document containing the conditions of contract, specification, the tender, the written acceptance of it, any contract agreement or other papers specifically incorporated
Contractor	The person or persons, firm or company to whom the contract has been awarded by the Company and includes to contractor’s personal representatives, successors and permitted representatives (assignees)
Corruption	Decisions influenced by bribery, monetary or non-monetary including favours for friends, relatives or outside organisations
DMB	Decision Making Body - Board Member, Director or Officer exercising delegated power in accordance with Standing Orders
Delegated Authority	Formally empowered within specific bounds to take decisions and implement and enforce approved policies
Director	Chief Executive, the Directors of Business Services, Property Services and Neighbourhood Services
EMT	Executive Management Team comprising the Chief Executive and the Directors of Business Services, Neighbourhood Services and Property Services.
EU	European Union
EU Directives	Proposals by the EU commission, which it is the duty of EU member states to interpret and incorporate into their own domestic legislation
Fraud	Obtaining gain, monetary or non-monetary, by deception. Including falsification of records or deliberate circumvention of approved procedures
Invoices	Schedule of works performed, goods supplied or services rendered with prices
ITT	Invitation to Tender is the formal request to submit proposals. This usually includes the specification, contractor conditions, information requests about contractors, selection

**NORTHWARDS HOUSING
PROCUREMENT GUIDELINES AND RULES**



	criteria and deadlines
MEAT	Most Economically Advantageous Terms – the balance between price and quality
Officer	Employee of the Company or an employee of an external contractor engaged in the provision of services on behalf of the Company where compliance with these rules is incorporated within the terms of their contract
OJEU	The Official Journal of the European Union
Orders	Formal request to perform work, or supply goods or services
Parent Company Guarantee	A formal guarantee that a parent company will underwrite the finances of a subsidiary or associated company
Post Tender Negotiation	Negotiations surrounding the detail of price, contract specification or conditions, after the tender stage. Usually with the lowest bidder
Proprietary	Only manufactured and supplied by one supplier usually under patent
Quotation	Written or verbal estimates from several suppliers of how much they would charge for the works, goods or services required
Responsibility	Being liable to be called to account for actions
Rotation of Contractors	The formal procedure whereby all contractors on an approved list are given equal opportunity to bid for work or to supply goods or services
Specification	Detailed written description of the work, goods or services required
Sub-Contractors	Contractors employed by the contractor, engaged by the Company, to perform work or supply goods and services on the Contract let to them
Tender	A formal written offer, in a common form to all tenderers, based on the detailed description of the works, goods or services required

Appendix 2 – European Procurement Directives

The European procurement directives seek to ensure that all significant public sector purchasing is open to competition across the member states. There are three Directives that relate to purchasing by Northwards and together they cover the major areas of the organisation's work:

Works Directive - concerned with engineering and construction work

Supplies Directive - concerned with the supply of goods

Service Directive - concerned with the supply of services

Each of the directives has expenditure thresholds above which you are obliged to offer the contract to competition across the community. These thresholds are expressed in Special Drawing Rights (SDR) and are translated every two years into currency thresholds for each of the member states.

The current thresholds effective for the two years from 1 January 2008 are:

Works	-	SDR €5,150,000	£3,497,313
Supplies	-	SDR €206,000	£139,893
Services	-	SDR €206,000	£139,893

Contracts above these levels need to be advertised in the Official Journal of the European Union and the resulting awards must also be published (there are specific formats that must be used).

These contracts are to be opened and recorded by the Company Secretary.

Depending on the type of procedure chosen there are minimum time scales detailed within the directives which must be adhered to, and which obviously must be taken into account when deciding on the timing of exercise. The directives provide for 3 different procedures:

Open procedure:

A stage process which requires you to send a tender to any supplier requesting one. This procedure retains shorter time scales but may involve you in sending out an unwieldy range of tenders.

Minimum time scales: 52 days between the despatch of the notice and receipt of tenders.

Negotiated procedure:

A procedure whereby you may negotiate the terms of the contract with one or more suppliers of your choice. The circumstances in which this procedure can be used are very specific. This procedure has the shortest time requirement but its use is limited to various specified circumstances.

Minimum time scales: 37 days for applicants to register interest.

There is a requirement to publish in the Official Journal prior notice of Northwards' intentions for the tendering of these types of contract. The requirements vary slightly:

Works Directive:

A Prior Information Notice (PIN) of the intention to seek offers must be advertised in the Official Journal as soon as the decision approving the planning of works is taken.

Supplies and Services Directives:

Northwards is required (with some exceptions) to publish a prior notice of its intended total contract requirements in each of the listed categories as soon as possible after the start of the budgetary year. It is obviously sensible to place one central advertisement and arrangements for this should be agreed with the Procurement Service.

The publishing of any prior notice does not take away the requirement to advertise the individual contracts as they come up but it does give you the opportunity to use the reduced time scales:

- | | |
|------------------------------|---|
| Open Procedure: | 36 days between receipt of tenders and despatch of notice (rather than 52) |
| Restricted Procedure: | No reduction for the first stage of inviting applications (37) days but the second stage allows you to give 26 days (rather than 40) between despatch and receipt of tenders. |

Whichever procedure you choose, once you have placed the advertisement in the Official Journal you will need to keep to the laid down timetable, and once you have awarded the contract, a notice of award must also be placed in the Journal again in the format required by the directive.

The whole process of placing contracts that are above the threshold levels can be both time consuming and involve a significant amount of correspondence with would-be suppliers. If you are involved in preparing a contract which may fall within the European Directives you are strongly advised to seek advice on how to proceed.

Appendix 3 – Contract and Procurement Rules

Limited Competitive Quotations

- 1 The manager must invite four (4) or more potential suppliers to submit written quotations.
 - Potential suppliers may be selected on the basis of the manager's knowledge of individuals or companies active in the field and the basis for the selection of potential contractors must be recorded in writing
 - The invitation to submit quotations must set out the criteria by which the contract will be awarded and specify the information that must be supplied in order for the selection to be made.
 - If less than three (3) potential suppliers respond to an invitation to submit written quotations, the manager must be informed and his / her written consent must be obtained before any action is taken to accept a quotation.
- 2 This method should only be used when it is considered cost effective and in the interest of Northwards to invite tenders from a wide range of potential suppliers.
- 3 Advertisements must be published in one (1) or more local newspapers or appropriate Internet site(s) or one (1) or more appropriate trade journals giving adequate notice for expressions of interest to be made to Northwards.
- 4 The advertisement must state the nature and the purpose of the works, goods or services, which are subject to tender.
- 5 Every company or person that expresses an interest in response to the advertisement must, within six (6) days of the closing date for expressions of interest, be sent full details of the works, goods or services for which tenders are invited, together with the closing date for tenders and Northwards' requirements as to the form and procedures for submission of tenders.

Restricted Procurement

- 6 This method should only be used if there is no central select list in operation or when the open method, would not produce advantages to Northwards e.g. greater range of potential supplier
- 7 Advertisements must be published in one (1) or more local newspapers or appropriate internet site(s) one (1) or more appropriate trade journals giving adequate notice for expressions of interest to be made to Northwards.
- 8 The advertisement must state the nature and purpose of the works, goods or services which to be subject to tender and invite prospective tenderers to apply for a questionnaire from which the evaluation will be made.

- 9 Questionnaires must provide to all applicants setting out that Northwards needs to undertake a pre-qualification assessment, the criteria by which respondents will be selected to receive invitations to tender, and the information needed for that selection to be made.
- 10 A group of not more than three (3) Authorised Officers (mix of both Northwards and Manchester City Council Purchasing Staff) will review the completed questionnaires returned to Northwards and, using only the criteria set out in the questionnaire, select not less than three (3) suppliers or individuals to receive full details of the works, goods or services for which the tenders and Northwards' requirements as to the form and procedures for submission of tenders.
- 11 The Finance Team must be asked to undertake a financial appraisal of the companies selected to submit tenders as soon as the selection has been agreed.
- 12 If fewer than three (3) potential suppliers or individuals return questionnaires or are considered to be suitable to be invited to submit a tender, the manager must seek the approval of the Chief Executive or Director of Business Services to proceed with the procurement process. The manager must outline to the Chief Executive or the Director of Business Services why less than three (3) suppliers are considered suitable to be invited to tender. Those suppliers who are considered to be suitable together with those not considered suitable and reasons for this must be notified in writing of the decision as soon as possible and be given ten (10) working days to appeal such decision.
- 13 The regulations about receipt and evaluation procedures are set out below.

Select List

- 14 A select list of suppliers is only appropriate when the contract values are below those prescribed in the EU Public Procurement Rules unless there are particular advantages to using another method.
- 15 Where a select list of contractors exists for the required works, supplies and services, then any such list should be used to choose those companies to be appointed or invited to compete.
- 16 A select list of suppliers will contain the names of all companies and individuals who have expressed an interest in being included and who have satisfied the Finance Team as to their financial viability and ability to supply works, goods or services to the specifications of Northwards and in appropriate quantities.

- 17 A select list of contractors must record the categories and contract value of the works, goods and services for which each supplier on the list has been approved.
- 18 Advertisements must be published at least once every five (5) years in one (1) or more local newspapers, one (1) or more appropriate specialists journals or appropriate internet site(s) inviting contractors not currently on the select lists to express interest within 14 calendar days.
- 19 Every company or individual who expresses an interest in response to the advertisement must, within fourteen (14) days of closing date for expressions of interest, be sent a detailed form setting out the information required in order to consider their inclusion on a select list, and advising the Finance Team will undertake an investigation into their financial viability.
- 20 Every company that satisfies the requirements of Northwards, and satisfies the Finance Team as to their financial viability, will be placed on the respective select list and must be invited to submit tenders in accordance with procedures set out by Northwards. Those suppliers that are considered unsuitable for inclusion on the select list must be notified in writing as soon as possible and be given ten (10) working days to appeal any decision. Individuals or companies who fail to submit a tender when rotating the select list in relation to invitations to tender.
- 22 If a supplier fails on two (2) consecutive occasions to submit a tender, the manager responsible for maintaining the Select List must review that supplier's continued inclusion and must notify the Finance Team, in writing of the outcome of the review.
- 23 The Finance Team will take such steps as they think necessary to ensure that they are satisfied about the continued financial viability of individuals and companies on select lists of suppliers.
- 24 Where managers have concern about the ability of appointed suppliers to provide works, goods or services to Northwards' requirements, they shall request they be suspended from the select list.
- 25 Appeals against suspension should be made in writing to the Director of Business Services.

Standing Lists

- 26 Managers may compile a standing list of suppliers able to supply works, goods or services, which fall within their team's responsibilities.
- 27 Standing lists may be established when Northwards, can specify in advance the nature and quality of goods or services required or where:

NORTHWARDS HOUSING PROCUREMENT GUIDELINES AND RULES



- The quantities cannot be predicted in advance and may not be capable of being supplied by a single supplier;
- The pattern of demand cannot be predicted in advance and the works, goods or services are required at short notice.
- Supplier's prices may vary in accordance with prevailing conditions and it is in Northwards' interest to be able to take advantage of price fluctuations.

28 Where standing list arrangements fall within the EU Procurement Rules then managers must ensure compliance with such rules.

29 Where standing lists arrangements fall below the EU Procurement rules:

- Advertisements must be published at the expiry date of each contract period on Northwards' Internet, and either in one (1) or more local newspapers or one (1) or more specialist journals inviting suppliers to express interest in being included on the standing list within fourteen (14) calendar days.
- Every company or person who expresses an interest in response to the advertisement must, within fourteen (14) days of the closing date for expressions of interest, be sent a detailed form setting out the information required in order to consider their inclusion on a standing list and advising the Finance Team who will undertake an investigation into their financial viability.

30 Every company or person who satisfies Northwards' requirements and that of the Finance Team as to their financial viability, will be invited to tender in accordance with procedures set out by the Finance Team. Those suppliers who are considered unsuitable for inclusion on the standing list must be notified in writing as soon as possible and to be given ten (10) working days to appeal against such decision.

31 Every company or person whose prices have been evaluated as acceptable, and satisfies the Finance Team as to their financial viability, will be placed on the standing list and will be used in the order to be identified by the evaluation process.

32 Standing lists of suppliers will contain the names of all companies and individuals whose tender has been accepted for the purposes of establishing a standing list.

Appendix 4 – Delegated Authorities

Details of the delegated authority for decision-making at the various stages throughout the procurement process are detailed below:

TASK	VALUE	DECISION MAKER
Approval to Spend and Selection of Tenderers	Capital expenditure over £1,500,000	Board (where possible to be included within annual estimates).
	Revenue expenditure over £250,000	
	Capital expenditure up to and including £1,500,000	Chief Executive or Director of Business Services
	Revenue expenditure up to and including £250,000	
	Capital expenditure up to and including £1,000,000	Director of Property Services
	Revenue expenditure up to and including £250,000 for all repairs expenditure	Director of Property Services and Head of Responsive Repairs
	Revenue expenditure up to and including £200,000 for all other expenditure	Director of Property Services
	Revenue expenditure up to and including £200,000	Director of Neighbourhood Services
	Capital expenditure up to and including £100,000	Head of Finance and Head of ICT in accordance with their budget delegation
	Revenue expenditure up to and including £25,000	Head of Finance, Head of Human Resources, Head of ICT, Head of Business Improvement and Head of Health & Safety in accordance with their budget delegation
Revenue Expenditure up to and including £25,000	Heads of Neighbourhood Services, Head of Policy and Housing Options and Head of Retirement Housing and Caretaking Services in accordance with their budget delegation	
Revenue expenditure up to and including £25,000	Heads of Home Improvement, Head of Responsive Repairs, Head of Programme Planning and Asset Management and Regeneration Manager in accordance with their budget delegation	
Note: No tender shall be invited until the technical ability and financial standing of the relevant tenderer has been investigated		
Opening of Tenders	Revenue expenditure over £250,000	A designated Board Member and an independent Officer
	Capital expenditure over £1,500,000	
	Capital expenditure up to	Chief Executive or Director of

**NORTHWARDS HOUSING
PROCUREMENT GUIDELINES AND RULES**



TASK	VALUE	DECISION MAKER
	and including £1,500,000 Revenue expenditure up to and including £250,000	Business Services
Opening of Tenders	Revenue expenditure up to and including £200,000	Director of Property Services and Director of Neighbourhood Services To include another member of EMT and an independent Officer
Note: Details of all Tenders received to be entered in the Tender Recording Book		
Acceptance of Tenders	Revenue expenditure over £250,000	Board
	Capital expenditure over £1,500,000	
	Revenue expenditure up to and including £250,000	Chief Executive or Director of Business Services
	Capital expenditure up to and including £1,500,000	
	Up to and including £200,000	Director of Property Services and Director of Neighbourhood Services
Award of Contract	Revenue expenditure above £250,000	Board
	Capital expenditure above £1,500,000	
	Above £100,000	Where the duration of the Contract may extend beyond 31 st March 2010, then Manchester City Council Cabinet approval must be obtained prior to award
Execution of Contract (contracts must be executed as a deed a authorised by the relevant EMT member)	Revenue expenditure up to and including £250,000	Chief Executive or Director of Business Services
	Capital expenditure up to and including £1,500,000	
	Revenue Expenditure up to and including £250,000	Director of Property Services and the Head of Responsive Repairs for all Repairs and Maintenance expenditure
	Revenue Expenditure Up to and including £200,000	Director of Property Services and Director of Neighbourhood Services
	Capital expenditure up to and including £1,000,000	Director of Property Services for all repairs and maintenance expenditure
Execution of Contract (contracts to be authorised by a Manager)	Capital expenditure up to and including £100,000	Head of Finance and Head of ICT in accordance with their budget delegation
	Revenue expenditure up to	Head of Finance, Head of

**NORTHWARDS HOUSING
PROCUREMENT GUIDELINES AND RULES**



TASK	VALUE	DECISION MAKER
	and including £25,000	Human Resources, Head of ICT, Head of Business Improvement and Head of Health & Safety in accordance with their budget delegation
	Revenue expenditure up to and including £25,000	Heads of Neighbourhood Services, Head of Policy and Housing Options and Head of Retirement Housing and Caretaking Services in accordance with their budget delegation
	Revenue expenditure up to and including £25,000	Heads of Home Improvement, Head of Responsive Repairs, Head of Programme Planning and Asset Management and Regeneration Manager in accordance with their budget delegation
Verbal Quotations	Up to £15,000 (in exceptional circumstances only)	Manager to approve with details retained on file, if above £15,000 then formal tender
	Up to £2,000 in other circumstances	Manager to approve with details retained on file, if above £2,000 then formal tender
Tender Returns	All tenders	Headquarters of Northwards Housing Limited

Appendix 5 – Late Payment of Commercial Debts

The Late Payment of Commercial Debts Interest Act 1998 came into force on 1 November 1998. The Act gives effect to the Government's commitment to introduce a statutory right for business to claim interest on the late payment of commercial debts.

Why was the Legislation Necessary?

The provision of credit by suppliers to customers is an established feature of business transactions and essential for the efficient operation of the economy. However, the provision of goods and services ahead of payment means that the supplier can be vulnerable to payment delays.

For this reason, it is important that businesses have sound credit management skills as otherwise, late payments, and worse still, bad debts will eat into profits. However, where a supplier does everything right to ensure that credit given is not abused; it is still possible for the supplier to find that payment is received late. By giving suppliers a statutory right to claim interest on late paid debts, the cost of late payment can be put in the hands of the party that can control it – the customer.

The Purpose of the Act

The Act provides a statutory right to claim interest on late payment of commercial debts. The right to claim will be phased in three stages. From 1 November 1998, the right has been exercisable by small business against large enterprises, including public sector organisations. The right will be extended, probably after 1 November 2000, for use by small businesses against all enterprises and public sector. Finally the right will be extended probably after 1 November 2002, to all enterprises and the public sector to use against all enterprises and the public sector.

Contracts

The Government wants to encourage business to agree their own contractual terms given a right of interest if bills are paid late. The legislation, therefore, gives precedence to contractually agreed provision. However the Act contains provision to prevent parties to contract "contracting out" of the legislation by setting very low rates of interest on late payments, or by extending credit terms excessively or by any other terms which result in no substantial remedy for late payment. The provisions apply to test of "reasonableness" to such terms.

Definition of Key Terms

Late Payment

A payment is late when it is received after the expiry of the contractually agreed credit period; or the credit period in accordance with trade custom and practice or in the course of dealing between parties; or the default credit period defined in the legislation.

Commercial Debt

The Act applies to a debt under a contract for the supply of goods or services where the purchaser and the supplier are each acting in the course of a business.

Small Business

It is proposed that the legislation should define a business as being "small" if it has no more than 50 full-time employees, or part-time equivalents,

Territorial Extent and Applicable Law

The legislation applies across the UK.

Size of Debt

No minimum level has been set below which a claim for interest cannot be made.

Credit Periods

Where no credit period is defined in a contract or no contract exists, the Act sets a default credit period of 30 days from delivery of the invoice for payment or of the goods and service, whichever is the later.

Interest

The Act seeks to recompense creditors for the cost of the payment delay. It provides a power for the Secretary of State to set the rate of statutory interest. The Government has said publicly that it will set the rate of interest at base rate + 8%. This is a rate at which the smallest and most vulnerable businesses are generally able to borrow from the banks. It will be possible to amend the interest rate.

Separation and Assignment of Interest

The Act allows the interest to be pursued separately from the principal debt and permits assignment of the interest to third parties, such as factors.