

Glossary of Procurement terminology

Acceptance letter

Letter that creates an immediate binding contractual relationship between the Council and the successful tenderer prior to entering into a formal contract.

Aggregation

Adding together the value of separate contracts for the same supply, service.

Appraisal

A detailed assessment of the general capacity of a contractor, supplier or service provider to meet certain general criteria or standards.

Approved list

A list approved by the Council of potential contractors, suppliers or service providers, who have met pre-set criteria. See also 'preferred supplier list'.

Audit trail

System or paper generated evidence showing how and by whom certain processes and functions were carried out.

Authorised officer

An officer of the Council who has been nominated by the Council to manage a contract or contracts with a contractor, supplier or service provider.

BME Business

Black and Minority Ethnic Business – A business where 51% or more is owned by members of ethnic minority groups OR if there are few owners where at least 50% of the proprietors are from black or minority ethnic groups.

Benchmarking

Comparison of performance against other providers of similar services, particularly those recognised as adopting best practice.

Best and final offer (BAFO)

The detailed and fully priced offer submitted by the Respondent for the contract, following the issue of the Council's Invitation to submit best and final offer (BAFO)

documentation. Where the Council accepts the offer it becomes legally binding on both parties.

Best practice

The most effective and desirable method of carrying out a function or process derived from experience rather than theory.

Best value

Arrangements to secure continuous improvement in the exercise of an Authority's functions, having regard to a combination of economy, efficiency and effectiveness as required by the Local Government Act 1999; the relationship between worth and cost.

Bills of quantity

Lists of quantities, provided by clients, against which tenderers insert their rates. The lump sum for each contract is then calculated by multiplying the quantities by the rates.

Brokerage

The use of an intermediary to obtain goods/services. Brokers can provide impartial procurement/purchasing expertise and should obtain the best deal for a client.

Business questionnaire

See 'pre-qualification questionnaire'.

Cartels

A group of suppliers acting illegally in concert to artificially influence the price and quantity of supply.

Call off contract

A contract made following a formal tendering process with one or more contractors, suppliers or service providers for a defined range of works, goods or services covering terms and conditions (including price) which users 'call off' to meet their requirements. See also 'framework agreement'.

Collaboration

An arrangement under which council departments/schools operate together internally or with other councils/schools externally to procure goods/services. Combined buying-power can improve services and prices and share the administrative overhead.

Collusion

A fraudulent arrangement between two or more parties whereby prices or service requirements are manipulated to get round competitive tendering.

Commissioning

The process of acquiring services to meet the needs of the local population. Commissioning is done through the Local Authority, the Primary Care Trust, other public agencies, or by the private or voluntary sectors

Competitive dialogue

A variation of the negotiated process, now available under the new EU directives, which permits discussion of different options before choosing a particular solution. It can be used in complex contracts where technical solutions are difficult to define or where development of the best solution is wanted.

Competitive tendering

Awarding contracts by the process of seeking competing bids from more than one firm.

Consortium

An unincorporated group of firms or individuals, often formed to tender for a contract with a view to forming a company or working in some other way in the event of winning.

Consultant

An organisation or individual employed by the Council for specific tasks, usually where specialist knowledge or objective review is required.

Contract

A binding agreement made between two or more parties, which is intended to be enforceable at law.

Contract award notice

Notice of an award of a contract published in the Official Journal of the European Union (OJEU), in fulfilment of the requirements of EU public procurement directives.

Contract documents

Documents incorporated in the enforceable agreement between the Council and the contractor, including contract conditions, specification, pricing document, form of tender and the successful tenderer's responses (including method statements), and all other relevant documents expressed to be contract documents (such as relevant correspondence, etc.).

Contract notice

Notice published in the Official Journal of the European Union (OJEU) by contracting authorities, seeking expressions of interest or inviting companies to tender.

Contract value

The total monetary value of a contract over its full duration (not annual value).

Contractor

An organisation or individual who has made a contract to undertake works, supply goods or provide services.

Corporate contract

Contract for a range of goods and services where a cross Departmental need exists. The corporate contract will have a defined set of conditions and the use is mandated within the Contract Standing Orders.

Cost plus

The method of payment for contracts for which tenderers quote a lump sum or % addition to their costs (which would be reimbursed).

Common Procurement Vocabulary (CPV)

The numerical system of identifying goods and services in the tendering process. Also used as part of the e-procurement process to identify services offered by the tendering organisation.

Daily rates

The method of payment for contracts for which tenderers quote rates per chargeable day.

Dayworks

The method of payment for contracts for which tenderers quote rates per attendance hour.

DBFM (design, build, finance and manage)

A contract (as used for the PFI) in which the service provider is responsible for all 4 aspects of the provision and management of a service.

DBFO (design, build, finance and operate)

A contract (as used for the PFI) in which the service provider is responsible for all 4 aspects of the provision and operation of an asset.

Debriefing

Giving positive, constructive feedback to competing suppliers on their performance at certain stages of the procurement process. It gives you the opportunity to improve your performance in the future. It can also help the buyer, as it highlights problems that may have arisen during the procurement process. This gives them the opportunity to improve their procedures.

Default

A breach of a contract condition, e.g. a delay in the promised delivery.

Deliverables

A collective name for the tangible goods and/or services that the supplier or contractor is required to supply under an agreement.

Dynamic Purchasing Systems

An electronic process for making commonly used purchases of which meet the requirements of the contracting authority and which is limited in duration, open throughout its validity to any economic operator that satisfies the selection criteria and has submitted an indicative tender that complies with the specification.

E-procurement

The use of electronic methods in every stage of the purchasing process from identification of requirement through to payment, and potentially to contract management.

Equalities Impacts Needs Assessment (EINA)

A tool for ensuring that equality issues can be considered when drawing up policies, procedures or delivering services by assessing what the implications are on a wide range of people with different and varied needs.

Estimate

A genuine and realistic price calculated by an officer that represents an estimate for defined works, goods or services, as required by EU rules or standing orders for the purposes of determining the procurement process and ensuring adequate budget provision. This should not be confused with an estimate from a contractor, supplier or service provider for a defined piece of work.

EU rules

The Public Services or Supplies or Works Contracts Regulations relevant to the implementation of the EU (European Union) directive on award of public services contracts.

Evaluation

Detailed assessment and comparison of contractor, supplier or service provider offers, against financial and quality criteria.

Executive Director

An executive director of a Council directorate/ department, currently a Director for Finance and Corporate Services, Education & Children's Services, Adult & Community Services or Environment

Firm price

A price which is not subject to variation.

Fixed price

See "firm price"

Framework agreement

An arrangement under which a contracting authority establishes with a provider of goods, works or services, the terms under which contracts subsequently can be entered into, or 'called-off' (within the limits of the agreement) when particular needs arise. See also 'call-off contract'.

Inputs

The resources that contribute to a programme or activity including income, staff, volunteers and equipment.

Instructions to tenderers

Instructions in the tender document designed to ensure that all Tenderers are given all the relevant information relevant to the tender to assist with their submission.

Invitation to negotiate

An invitation to a shortlist of typically 3 to 4 bidders to submit a response to a bid document prepared by the public sector Authority. This document comprises detailed descriptions of the project facilities and services required, expressed in the form of outputs to be delivered or achieved, as opposed to inputs. Bidders determine how such outputs are to be delivered efficiently and effectively. Also known as an 'ITN'.

Invitation to tender

An invitation to contractors, suppliers or service providers to bid for the provision of works, goods or services. Also known as an 'ITT'.

Invoice

A request to pay submitted by a supplier of works, goods and/or services.

Invoice item

A line item on an invoice.

Invoice payment terms

Specified terms of payment agreed between the supplier and purchaser.

Joint venture

Any contract or other arrangement between Richmond and another body under

which both bind themselves to contribute separate services, work or funding for a shared overall purpose.

Liquidated and ascertained damages

A genuine pre-estimate of the loss that the Authority will suffer if the contractor defaults when performing the contract. This may form the basis of deductions from payments, which will be calculated according to the specific circumstance relating to each type of contract.

Market Research

See “market testing”

Market testing

The process of comparing the efficiency of in-house services against tenders from outside firms.

Member

Elected member of the Council.

Method statements

Proposals are tendered as sought by clients, for dealing with aspects of the work for which clients have set no specifications, or where more detailed operational information is required.

Most economically advantageous tender (MEAT)

The tender that will bring the greatest benefit to the Council having taken a number of factors into consideration, including quality and cost.

Needs assessment

A process by which health and social care professionals assess and then make conclusions on risks and needs. The assessment sets out what is necessary for an individual to maintain their life at a certain standard.

Negotiated procedure

One of the procedures for procurement under the EU Directives, available only in limited circumstances, under which client authorities negotiate with at least three eligible applicants who meet their criteria.

Offer

A supplier's offer to provide goods and/or services for a consideration in response to a buyer's enquiry.

Official order

A pre-printed form, which incorporates the Council's terms and conditions of purchase, used to place an order with a supplier. See also 'purchase order'.

Open procedure

One of the procedures for procurement under the EU Directives, under which all eligible applicants are invited to tender in a one-stage procurement process.

Outcomes

The benefits or changes that have come about as a result of the work or activity of a project or the organisation. These include short term, long term, intended, unintended, positive and negative effects.

Outputs

Units or direct products of a project or organisation's activities. For example, they could be classes taught, training courses delivered or people attending workshops.

Parent company guarantee

A parent company guarantee binds the guarantor (the 'parent company') to fulfil and complete a subsidiary company's obligations and liabilities in the event of failure by that subsidiary to fulfil and complete its obligations and liabilities under a contract.

"Part B" Services

Those services included in an Appendix, or "Part B" to the Public Contracts Regulations 2006 which include health, education and social care. Full procurement regime does not apply, only certain procedural requirements. However, all Treaty principles still apply. In the interest of best value and best practice we will normally ensure that those services which fall under Pt. B of the EU procurement directives are advertised in OJEU. Please contact Corporate Procurement for further advice.

Partnering contracts

Contracts in which prices and specifications are not decided until after contracts are

let, usually to enable contractors to contribute to design solutions and other aspects of the work (as proposed by the Government's Construction Task Force, the Egan Committee).

PIN

Pre- Information Notice. A short notice indicating that a call for tenders is planned during the coming three months. The publication of a PIN means that the deadline for submitting the tender from the publication of the call may be shortened.

Performance bonds

Bonds or guarantees given to clients by specialist insurers, on behalf of contractors and at their expense, binding the insurers to compensate clients (up to the amount of the bond obtained) in the event of a default.

Preferred supplier list

A list of organisations preferred by the Council to undertake certain works, supplies or services, following a competitive tendering exercise. See also 'approved list'.

Pre qualification questionnaire or 'PQQ'

A questionnaire completed by companies or providers that wish to be considered for a procurement activity or placed on an approved list. The purpose is to assess their general suitability in terms of financial and economic standing, technical capability and experience, quality assurance, health and safety procedures, environmental issues and equalities considerations. See 'business questionnaire'.

Pricing schedules

List of the requirements that might be required to be performed/supplied under the contract which the tenderer inserts a rate against each item.

Private Finance Initiative (PFI)

A route for procurement where, instead of owning the assets needed for their services, public authorities arrange for private sector bodies (often in the form of consortia) to provide and own them. These bodies then make the assets available under operating leases to enable public authorities to deliver the services required.

Procurement

The process of acquiring goods, works and services, covering acquisition from third

parties and from in-house providers. The process spans the whole life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset.

Procurement Card (also Purchasing Card /P Card)

A payment card issued by an authority to staff that may be used to purchase goods and/or services up to an agreed value from certain suppliers. Although similar in operation, it is not a credit card that can be used anywhere and there is no credit facility. For suppliers typically payment in full will be made direct to their bank accounts usually within three working days.

Project definition statement (PDS)

Early stage of project which identifies the scope and objectives.

Purchase order

See 'official order'.

Quality

The level of fitness for purpose which is specified for or achieved by any service, work or product.

Quality Assurance (QA)

A discipline to assess quality standards, covering all activities and functions concerned with the attainment of quality.

Qualified tender

A tender which is qualified because it does not fully meet the intended contractual requirements. Such tender are not normally acceptable.

Quotation

A written or verbal price given by a contractor, supplier or service provider, after being requested either orally or in writing. A quotation may be the written confirmation of an earlier, oral offer.

Restricted procedure

One of the procedures for procurement under the EU Directives, under which only

eligible applicants who meet the client authority's criteria are invited to tender in a two-stage procurement process.

Risk

The probability of an unwanted event occurring and its subsequent impact.

Risk register

A document used to record the risks facing a project or programme, usually produced as a table. It should, as a minimum, record a description of each risk, an assessment of its likelihood and impact and the management actions to be taken to minimise the risk, though it can be more sophisticated.

Risk transfer

The risks, such as construction delay risks, which are required to be transferred to contractors in order for PFI schemes to be approved.

Schedule of rates

Lists of jobs, like those in bills of quantities except that they contain no quantities. Rates may be inserted by tenderers, or by clients. In the latter case, tenderers specify their overall percentages on or off these rates.

Select list

A list of suitable prospective contractors, suppliers or service providers that has been drawn up through a shortlisting exercise for a particular contract or procurement activity.

Service manager

An officer of the Council who has a responsibility to manage a particular service.

Services

Services provided to the Council by an external service provider (an individual or a company). Those that have a value exceeding the current threshold defined by the EU rules will be subject to the European tendering requirements. Standing orders may have different values covering works, services or supplies.

Service Level Agreement (SLA)

That part of a contract which specifies the services to be delivered. It has been practice for purchasers to enter into contracts based on Service Level Agreements which are in themselves contracts but do not set out full contractual terms, simply detailing the services to be delivered and minimal information such as contact details, addresses, etc. regarding the contractor. Sometimes used between Departments within public authorities.

Shared services

Providing services as a combined or collaborative function which may share processes and technology. This may include bringing together support functions, often from geographically disparate areas, into a separate organisation

Social Enterprise

Organisations that deliver goods and services and make a profit (51% of its income must come from trading) but measure their success on the social impact and benefits they provide. Examples of social enterprises are Co-operatives, Mutual Building Societies

Sourcing

The process of establishing potential suppliers of specified works, goods or services.

SMEs

Small and medium-sized enterprises, a term used to refer to smaller private sector companies with less than 250 employees.

Specification

A description of requirements and standards to which the goods, works or services should conform. Also known as a statement of needs, a statement of requirement, an operational requirement, or a brief. Its purpose is to present prospective suppliers with a clear, accurate and full description of the organisation's needs, to enable them to propose a solution to meet them.

Stage payments

An agreed percentage or part of the contract price, which is payable when specified stages of completion/delivery have been reached.

Stakeholder

An individual or organisation that has an active interest or a stake in a particular organisation or issue. For example, funders, members, contractors, purchasers, trustees, beneficiaries, volunteers and paid staff are all stakeholders in a voluntary organisation.

Standing orders

The Council's rules and procedures that govern its activities, including procurement of goods, works and services.

Standstill period

Following evaluation of all proposals and prior to completing the contract award, you must notify all suppliers of your intention to award the contract. This notification will incorporate the mandatory 10 day standstill period (also referred to as the Alcatel standstill).

Sub-contracting

The process where a contractor assigns part of the contract to another contractor(s).

Supplies

Goods, either purchased or hired. Those that have a value exceeding the current threshold defined by the EU rules will be subject to the European tendering requirements. Standing orders may have different values covering works, services or supplies.

Supplies, works & services

See individual definitions

Supplier diversity

Initiatives that aim to increase the number of ethnic minority-owned businesses that supply goods and services to both public and private sector organisations.

Supply chain

Consists of businesses providing goods, works and services to a buyer. For example, a stationer's supply chain will include its product suppliers, delivery firm, printing company, IT provider and cleaning contractor. Tier one of a supply chain is the main

contractor who supplies direct to the buyer. A business that supplies to tier 1 is a tier 2 supplier and any business that supplies to tier 2 is a tier 3 and so on.

Surety

See "Performance bonds"

Sustainable procurement

Sustainable procurement is using procurement to support wider social, economic and environmental objectives. It goes beyond green procurement to take account of social and economic issues.

Tender

An official written offer to an invitation that contains a costed proposal to perform the works, services or supplies required, and is provided in response to a tendering exercise. This normally involves submission of the offer in a sealed envelope to a specified address by a specified time and date.

Tender documents

Documents provided to prospective tenderers when they are invited to tender and that form the basis on which tenders are submitted, including instructions to tenderers, contract conditions, specification, pricing document, form of tender and the responses from tenderers.

Tender evaluation panel

A group of people who analyse tenders received and make final recommendations on the award of contracts.

Third sector organisation (TSO)

VCOs pursue social and environmental objectives; do not distribute any surpluses to shareholders; reinvest any surpluses in the pursuit of their objectives; and are independent of government. VCOs can take a number of organisational forms, with or without charitable status.

TUPE regulations

The Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended from time to time) implementing the Acquired Rights Directive on the acquired rights of workers.

Two stage selective tendering

See “restricted procedure”

Value for money

The provision of the right goods and services from the right source, of the right quality, at the right time, delivered to the right place and at the right price (judged on whole-life costs and not simply initial costs).

Variants

Tenders that meet minimum specifications but vary in technical terms. May be allowed by a contracting authority where award criterion is that of most economically advantageous tender.

Voluntary and community organisation (VCO)

A general term used to refer to registered charities, non-charitable non-profit organisations, associations, self-help group and community groups.

Waiver

An authorised departure from the Contract Standing Orders. This may only be applied with limited application.

Whole life costs

The systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset.

Works

Building, construction and engineering related works. Those that have a value exceeding the current threshold defined by the EU rules will be subject to the European tendering requirements. Standing Orders may have different values covering works, services or supplies.