



Office of Government Commerce

## 0 Procurement Principles

These high-level generic principles are meant to provide a checklist and apply to any type of procurement. They provide important guidance, with links to the more detailed information and direction available. They do not replace or amend the existing OGC procurement information and guidance. Also, individual contracting authorities will need to consider any additional requirements that they are subject to. For example, local authorities will need to consider compliance with the "best value" obligations, in addition to these principles. This guidance should also be read in conjunction with the OGC Risk Allocation Model guidance and Guidance on Model Terms and Conditions:

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### General principles

All procurement should be subject to competition.

- A competitive process provides the department with the best opportunity to procure the goods or services with value for money. There may be a valid exception to this principle, due to the nature of the requirement.

All procurement should be conducted on a value for money basis.

- Value for money includes both whole life costs and quality.

Sustainability issues can be considered where appropriate and when relevant to the contract. This must take cost and affordability into consideration.

- Sustainability issues should be addressed at the appropriate stage in the procurement (normally the business case stage). In some instances, particularly when environmental issues are relevant, sustainable procurement can reduce whole life costs and improve quality through recycling or reducing disposal costs.

All procurements should be fair, open and transparent.

- This is based on the European Union procurement rules, about not favouring or putting any potential supplier to a disadvantage. All contracting authorities should be seen to be acting in a fair manner. A well managed procurement, with a well defined requirement from the outset, will help enable a successful procurement.
- Procurement failure usually points to a badly defined requirement.

### Market creation

- There may potentially be limited response to your requirement because of the nature of the requirement or the state of the market. If you think this may be the case, you should stimulate the market place and engage with potential suppliers as appropriate. It is important to maintain a level playing field when engaging with potential suppliers. The action you need to take can include reviewing your requirement and making it commercially viable, or developing a procurement strategy which will attract suppliers.

Make sure there is a market.

- The procurement may be relatively straightforward for a readily available commodity. Otherwise, you may need to carry out some initial market sounding and confirm its likely interest and an indication of probable cost.

### Business case

Prepare a business case to justify the procurement activity and expenditure

- The development and agreement of a business case is an important tool to ensure senior management agreement and stakeholder "buy in" to the procurement. The business case should also secure funding and resources for the procurement.

### Project start-up

Run your procurement as a project. Adopt a project management approach to procurement.

- You should implement and follow Programme and Project Management best practice, as appropriate. Think about your project scope.

- You should determine whether the project can stand alone or be part of a larger programme of work. Make sure you consider its dependencies with other projects.

Consider the project outputs.

- You need to define clearly the outputs of the procurement project, which contribute to overall business objectives. Develop critical success factors.

- You should define critical success factors. They should be SMART - Specific, Measurable, Achievable, Realistic and Timebound.

Identify Stakeholders.

- This is the time to identify stakeholders and develop mechanisms for ensuring their interests will be represented during the project.

### Requirements definition and procurement strategy

Ensure end users and stakeholders are involved in the development of the requirements specification.

- The procurement may not deliver if it is disconnected from its end-users. It is vital that end users are engaged from the outset and their needs understood.

Consider intellectual property rights and how to address them.

- Decisions about IPR should be based on value for money; i.e. decisions about ownership of IPR should be based on which party is best able to exploit it.

Determine the procurement route.

- The development of the procurement strategy should follow the most appropriate procurement route. You should evaluate the different procurement routes and publish an OJEU notice, as appropriate. Selecting the appropriate procurement route from the outset reduces the risk of legal challenge, and helps ensure a procurement is smoothly run and delivers value for money.

Plan the procurement.

- You need to draw up a plan, ensuring all the tasks and deliverables are identified in sufficient detail, to allow progress to be tracked and managed.

Produce the procurement strategy.

- Your procurement strategy should set out the key objectives and justification for the procurement. At this point, you should also have a clear sourcing strategy and have considered the options for leveraging existing contracts and collaborative opportunities.

Develop the evaluation strategy.

- You should decide the evaluation stages required, the overall evaluation criteria and the evaluation process.

### Producing the requirement

Have a properly defined requirement.

- Your requirement should be clear and unambiguous. An inadequate requirement is a common reason for procurement not providing the right goods or services, for the best value for money.

Subject your requirement to the relevant reviews and sign-off before issuing it to potential suppliers.

- The requirement should be defined as fully as possible. There may be cases when you need to develop the requirement during the procurement process. This will be likely to require negotiations with the potential suppliers, and may involve the use of competitive dialogue procedure, according to the EU procurement rules.
- You should start to think about and prepare contract terms and conditions and outline schedules at this stage (see here for further information about Contract Preparation).

## Supplier selection

Start the process of selecting and evaluating suppliers early in the procurement process.

- This can begin with inviting expressions of interests from suppliers, in response to an OJEU notice or other call to competition. Follow this with assessing the suppliers' responses to information requests in the OJEU notice, or pre-qualification questionnaire, and invite the selection of suppliers to tender or negotiate, depending on the procurement procedure selected. Unsuccessful bidders should be notified and debriefed, if requested.

Clearly define the approach to the supplier selection and evaluation, from the outset.

- You should put in place a documented, planned approach to evaluation. This is important to demonstrate a fair and transparent procurement.

Supplier selection and evaluation should be a continuous process.

- Evaluation will be ongoing throughout the procurement, and there should be clearly defined evaluation stages of selection and evaluation. This should culminate in your award of a contract for the most economically advantageous tender.
- High value/high risk procurements which tend to be complex long term strategic arrangements are likely to need planned supplier engagement and management early on in the process. This is not always necessary for transactional low value (low risk) procurements.
- For further information on whether there is scope for clarification or discussions at this stage and other stages in the procurement follow this link.

## Proposal evaluation

The evaluation exercise should aim to select those suppliers to be taken forward to the next stage of the procurement.

- You should follow your pre-defined evaluation model and criteria. Your evaluation should assess the quality of the proposed solution and how it fits with the requirement specification.

## Contract preparation

Develop a contract which clearly sets out the rights and obligations of the supplier and your organisation.

- The level of contract preparation required will depend on the complexity, or size and value of your procurement.
- You may have a low value straightforward requirement and use your own standard terms and conditions, or you may place an order under the pre-agreed terms and conditions of a framework agreement.
- For a more complex requirement, it may be necessary to develop specific terms and conditions and accompanying schedules. This may also involve negotiation with short-listed suppliers, to finalise draft contracts.
- It is advisable to have a configuration management plan in place, to cover version control and amendments. Some points to consider:
  - Does the contract accurately represent the requirement?
  - Have stakeholder requirements and views been taken into account?
  - Do the potential providers have realistic solutions to meeting the requirement?
  - Does the organisation have the necessary skills and resources to meet its obligations under the contract, and for managing the contract?
- You should seek appropriate expert procurement and legal advice, as required. Also involve the future contract manager at this point and as part of any negotiations going forward.

## Bid evaluation

There should be a separation of the financial and qualitative elements of the evaluation.

- You should evaluate the financial and qualitative elements separately. Then look at these two strands of the evaluation together, after completing the respective evaluations. Make a judgement based on overall value for money.

## Award

Notify the bidders

- You should inform both the successful and unsuccessful bidders in writing.

Debriefing

- You should offer to debrief the unsuccessful bidders. Debriefing can help suppliers to improve their competitive performance. It can also help you to identify ways to improve the process for the next time, and perhaps improve on

communication.

Award notice

- You need to complete and publish an OJEU award notice within 48 days of contract award, when an OJEU procurement has been conducted. Also, note the requisite "standstill period" between decision and contract award, according to the procurement rules, as a result of the Alcatel ruling.

## Project closure

Project closure.

- Close the project in a controlled way. This is also a good time for you to capture lessons learnt. This can assist with future projects.

End of project report.

- The end of project report captures how well the project performed against its project initiation document, especially planned cost, schedule, tolerances, revised business case and final project plan.

## Implementation / Transition

- Moving towards acceptance - you need to manage the contract and the implementation process, leading to acceptance.
- There should be a clear transition process from the procurement stage to contract management - it is important to ensure your organisation understands and fulfils its obligations (Authority Responsibilities) so as not to delay implementation.

## Contract management

There should be expert and dedicated contract management for the term of the contract.

- You need to have robust contract management procedures with staff, to manage the contract. The contract management provisions should be built into the contract.

Your relationship with the supplier must be managed, as well as the more formal aspects of the contract.

- The level of contract management you need will depend on the type of contract. A standard commodity contract should only require a straightforward approach to contract management, whereas a more complex service type contract will require dedicated and expert contract management. Inadequate planning for, and carrying out of, contract management is a crucial reason for user dissatisfaction and not realising VFM. It is important to have continuity in the relationship and for the contract managers from both the contracting authority and the supplier to have been engaged early in the procurement process.

Communication with your supplier is crucial.

- When problems arise, they should be dealt with promptly - this requires good communication channels, aimed at delivering "win-win" outcomes.

Assess the quality of the service being delivered.

- You should monitor supplier performance against agreed service levels. This requires you to have agreed quality metrics in the contract that allow the quality of a service to be measured.

Continuous improvement

- Aim to continuously improve in performance or increase value for money. This is achieved, principally, through providing incentives to the provider - these are usually built into the contract itself.