

APPLICANT PROCUREMENT GUIDANCE

Goods, Services and Works valued £5,000 up to £30,000

Government Departments are required to ensure that grant funding, used for the procurement of goods, services or works by a grant recipient, is spent in accordance with procurement law and policy. In addition European Regulations for rural development schemes require that in advance of any funding assessment a price comparison/reasonableness of costs check is completed for all item(s), service(s) or works to be funded.

It is important that you are informed of the procedures to be followed to ensure

- a) the goods, non-construction services and construction works required to develop the project are procured in a fair, open and transparent manner and Conflict of Interest is managed within the procurement process,
- b) value for money when procuring goods, non-construction services and construction works is achieved,
- c) there is a price comparison / reasonableness of costs check for all goods, services and works prior to the assessment of any project application for an offer of funding, and
- d) the application mandatory requirement to submit the required quotations/tenders is met.

You must be advised that:

Failure to provide a minimum of 2 quotations, tenders or price comparisons, for each item that grant funding is being applied for, by close of the application call may render the application submitted ineligible.

Failure to fully comply with the procurement procedures as set out in this guidance or to provide the supporting evidence required could result in you being asked to undertake procurement again.

Checks will be carried out by the Council Admin Unit on your procurement process at a number of different stages throughout the grant process. Non-compliance with the procurement guidance will result in the disallowance of all or part of any funding. These checks will also involve reviewing quotations/tenders/invoices submitted with a number of the suppliers. Fraudulent documentation will deem the application ineligible and you may be debarred from future calls.

1. **Mandatory Requirements**

- 1.1 A detailed written specification for each procurement.
- 1.2 You must submit your proposed quotation/tender process, including all specification(s), prior to undertaking the procurement exercise, for review by the Council Admin Unit.
- 1.3 Evidence of suppliers/businesses asked to quote or tender.
- 1.4 Evidence of quotations/tenders submitted by suppliers.
- 1.5 Alternative price or reasonableness of costs check for all goods, services and works.
- 1.6 Retention of all original procurement documentation as evidence for project claim stage.

2. **Procurement Exercise**

- 2.1 It is important that prior to starting any procurement exercise and asking suppliers for quotations or tenders, that you consider
 - (a) exactly what is to be purchased,
 - (b) the specification/specific details for each item, service or work required, and
 - (c) the value of individual items that grant funding is being applied for.

This will help you to ensure that the correct procurement exercise in relation to the nature and value of the grant funded items, is undertaken. For example:

Total Cost of Individual Items, Services or Works

- Is your business/organisation VAT registered?
- Are any of the items to be purchased VAT exempt?
- Is second hand equipment to be purchased?

Specific detail to describe the Items, Services or Works to be Grant Funded

- Identify the machine/piece of equipment together with the relevant size, output capabilities etc. relevant to the items to be purchased, or
- Description of the consultancy/marketing/training services to be commissioned, or
- Detailed drawings, approved technical plans & bill of quantities for the construction works to be delivered.

This will help you to ensure that the specification of requirements to be issued to **all** potential suppliers allows for like for like comparison of eligible costs and for the LAG assessment of the project application and investment proposal.

Potential Suppliers

- Identify suppliers to be asked to quote/tender, and
- Check steps to be taken if the potential suppliers include family/extended family members (see Section 6).

The following section provides further detail to be considered when calculating the value of the items to be grant funded.

3. Calculation of Cost of the Goods, Services and Works to be Procured

- 3.1 If you are registered for VAT you are required to collect reimbursement of the VAT charges through your normal VAT return procedure. Therefore the cost of the procurement for VAT registered applicants is calculated using the net cost before VAT is added, i.e. the cost of the item(s), service(s) or works excluding VAT.
- 3.2 If you are not registered for VAT the cost of the procurement is the gross cost, i.e. the cost of the goods / services / works after VAT has been added.
- 3.3 You must also ascertain whether or not the goods / services / works to be procured are VAT exempt - for example some services and works on historical buildings are exempted from VAT charges.
- 3.4 A number of procurements may have to be carried out within one project as the project may require the purchase of several item(s), service(s) or works. In this case this procurement guidance should be applied to each item(s), service(s) or works.

You may choose to request quotations/tenders from suppliers for grouped or related item(s), service(s) or works, for example production line and packaging machines. In this case the cost of the procurement is the **total** cost of the item(s), service(s) or works quoted. An example of a single procurement might include the purchase of:

- processing line and end bagger;
- a discrete piece of equipment; or
- construction work.

- 3.5 The cost of procurement for construction works **must be calculated** as the total cost of the construction, i.e. procurement must be undertaken for the complete construction works and not be split into individual phases or trades. This means that construction works must not be

broken down into component parts to avoid the procurement threshold requirements.

4. Purchase of Second Hand Equipment

- 4.1 Second hand equipment must satisfy the needs of the specification and comply with applicable standards for the equipment.
- 4.2 You must notify the Council Admin Unit in advance if you intend to seek grant assistance for second hand equipment. At application stage you must provide a quote from the seller of the second hand item; and a quote from a bona fide trader (not the seller of the second hand item) of the specific equipment as to the market value of the second hand item, together with a quote for a matching new item.
- 4.3 The price of the second hand equipment must be less than the cost of similar new equipment.
- 4.4 The price of the second hand equipment must not be more than the market value which can be calculated as follows:
 - (a) Apply the depreciation factor in the project economic appraisal to the value of the new item and deduct the depreciation for the age of the second hand equipment. If the age of the second hand equipment is more than 7 years this must be changed on the economic appraisal to ensure the cost of the equipment remains positive.

Example - where a new piece of equipment cost £70,000 and the expected life of the machine is 7 years, then the annual depreciation would be £10,000. The market value of a 1 year old piece of machinery would be £60,000, a two year old machine £50,000 and so on.
 - (b) If you dispute this market value you may obtain, at your own cost, an independent valuation from a competent engineer or plant auctioneer.
- 4.5 If successful in securing an offer of grant assistance towards the purchase of second hand equipment you must obtain from the seller of the equipment a declaration
 - (a) stating the origin of the equipment, and
 - (b) confirming that at no point during the previous seven years was it purchased with the aid of government or European Community grants.

5. Preparing a Specification

5.1 You **must** prepare a **detailed written** specification for all the goods, services or works to be procured regardless of the value of individual item(s), service(s) or works. The purpose of the specification is to tell potential suppliers/contractors what is needed. Specifications should be unambiguous and include a clear statement of requirements/needs. This is particularly important in a single stage competition to ensure that only those suppliers capable of delivering the contract, submit tenders.

5.2 The specification **must not refer to specific suppliers, manufacturer names, makes, or models of equipment** for Goods, Services or Works procurements and must be sufficiently detailed to allow a fair comparison of like for like costs (***failure to adhere to this will render the procurement ineligible***), unless in the following construction project cases:

- **Non-public organisations - Funding is 50% OR LESS of the total contract value (construction projects only)**
In the case of non-public organisations e.g. private businesses or voluntary/community organisations – if the grant rate to be funded is 50% or less (where DAERA is not the majority funder) of the total contract value then you can allow the inclusion of manufacturer names or makes as long as the wording “or equivalent” is specified; and that the applicant can show VFM.
- **Non-public organisations - Funding is MORE than 50% of the total contract value (construction projects only)**
In the case of non-public organisations e.g. private businesses or voluntary/community organisations - where DAERA is the majority funder, technical specifications must not refer to manufacturer names or makes ***unless justified by the subject matter of the contract or in exceptional circumstances and only at the approval of the Department.*** Where such circumstances justify this, as approved by the Department, the reference within the specification must be accompanied by the words ‘or equivalent’. It’s unlikely that there would be many under this category deemed exceptional.
- **Council led projects (RBSS, VR, Co-operation (construction projects only))**
Technical specifications must not refer to manufacturer names or makes ***unless justified by the subject matter of the contract or in exceptional circumstances and only at the approval of the Department.*** Where such circumstances justify this, as approved by the Department, the reference within the specification must be accompanied by the words ‘or equivalent’. It’s unlikely that there would be many under this category deemed exceptional.

- Failure to seek DAERA approval for the inclusion of manufacturer names or makes within a specification may result in an administrative penalty being applied to a claim for funding.

5.3 **Annex B** provides a format to follow when developing a specification. The specification must include all the information needed for the eligible goods, service or works to be procured to complete the project. When drawing up the written specification it is important that the following are considered and detailed:

Goods/items – name of the item, number required, size or specification for the item, any attachments necessary for operation etc.
(*Trade/manufacturers names, makes or models **must not** be used (see paragraph 5.2 above).*)

The installers/suppliers of goods/equipment must be able to quality assure such items. Therefore the specification and quotation/tender documentation should include an element to cover the quality of the product/service. The need for accreditation must be considered and if required, a reputable third party certification body must provide this.

Note: PC sums and contingency amounts are not eligible items and must not be listed on the specification.

Non-construction Services – detail for example, the service required, timescales, expected outcomes, or if relevant qualifications required.

Construction Works – detail for example, the proposed development; works required; approved plans and bill of quantities; roles and responsibilities including quality assurance, building control and certification of any works or installations; timescale and expected outcome.

5.4 The following are examples of other information which should be included in the specification to help to identify which supplier/contractor may be selected based on value for money:

- Delivery and installation costs,
- Guarantees and / or warranty,
- Delivery date (if it will affect project completion),
- After sales service,
- Training or instruction,
- Dates for work to be started and completed (construction works),
- Time limit on how long the price quoted lasts for,
- Timescale/date for return of quotations or tenders. A minimum of 20 working days for construction works and 10 working days for all other procurements, **must** be allowed. The timescale starts from the issue of the invitation to quote or publication of the advert.

When considering delivery dates and/or work start and end dates applicants must take account of the project application and

assessment process to ensure that realistic timescales are provided to potential suppliers. The Council Admin Unit will advise in this regard.

- 5.5 The Council Admin Unit should check that a specification exists for all procurements to allow like for like quotes/tenders to be obtained.
- 5.6 An identical specification(s) **must** be sent to all suppliers asked to quote or tender. All quotes or tenders received must match the specification issued to be deemed eligible for grant.

6. Conflict of Interest – Quotes from Family/Extended Family Members

- 6.1 You or a business that you are an owner/partner/director of, are excluded from quoting or tendering for the supply of goods, services or works to a project that you may be offered funding for.
- 6.2 If quotations or tenders are being sought, or provided from any member of your family or extended family then the relationship must be advised to the Council Admin Unit prior to any procurement activity and declared in writing on the procurement documentation. In these cases you are required to provide **3 quotes** i.e. two independent quotes in addition to the family member quote to provide sufficient comparison of costs under the reasonableness of costs rules within the programme. Failure to comply with this requirement will deem the procurement process as ineligible. In addition you must sign a declaration to the effect that:
- (a) competitors' quotations will not be shared with the quoting family member; and
 - (b) that you will strictly adhere to the procurement requirements as set out in this Applicant Procurement Guidance document.

7. Goods, Services and Works valued £5,000 up to £30,000

- 7.1 The minimum number of quotations needed for the procurement is

| Applicant Type | Procurement Type | Procurement Value | Minimum Requirement |
|--|--|-----------------------------|----------------------------|
| Private, Social Economy Enterprise, Voluntary/Community, Councils | Goods & Non-Construction Services Construction Works/Services | £5,000 up to £30,000 | 2 Written Quotes |

(Please note that if you choose to advertise for the procurement even if it is below the £30,000 limit, the correct number of tenders will still be required). Price should be the determining factor but exceptionally a supplier can be selected using both price and quality criteria. You must however first **consult with the Council Admin Unit to obtain advice on whether this is acceptable or indeed necessary**. If found acceptable then the procedures for *Tendering for Goods, Services and Works greater than £30,000 and less than EU Thresholds* should be followed.

- 7.2 You should retain for future reference and at claim processing stage (if successful), evidence of quotations sought from businesses appropriate to the nature of the item or service to be funded. Evidence of quotations sought is a mandatory requirement and you must be prepared to have their evidence tested.
- 7.3 If you are approaching suppliers directly, other evidence of quotations sought is:
- email issued to business email address,
 - recorded delivery via post,
 - returned email receipt from business email address, or
 - authorised receipt on company letter head acknowledging receipt and rejecting invitation to quote.
- 7.4 Each supplier asked for a quotation must be provided with the detailed written specification and advised of:
- a) the return due date and time for receipt of quotations, refer to Para 5.4 final bullet point,
 - b) the terms and conditions for return of the quotation, for example,
 - on business headed paper with the supplier's name, address, contact information, Company & VAT registration numbers (if applicable),
 - be sufficiently detailed to show how the specification is priced and allow comparison of like for like to assess best value, for example itemised costs, note any variance from the specification,
 - detail the period for which the cost will be held,
 - returned via email, fax, post or hand delivered,
 - e-mailed quotes must be as an attached scanned image on headed paper signed and dated by a company employee,
 - fax quotes must be on headed paper, dated and signed by a company employee,
 - post or hand delivered must be on headed paper signed and dated by a company employee.

NOTE: the Council Admin Unit will verify 20% of all quotations **per claim** received as evidence of procurement via a phone call to the supplier to confirm the validity of the quote; and

- c) how successful quotes will be selected i.e. price; or price and quality.

The terms and conditions for submitting a quotation may be added to the specification or included in a cover letter or email inviting quotations.

Quotations should be addressed to you or the business name as the applicant. If an employee or other representative is looking after the application and supporting documentation, quotations must also be addressed to you or the business email address or forwarded on receipt.

- 7.5 You should formally record the quotes received (**Annex B** contains a sample template).
- 7.6 To ensure that the quotations are assessed fairly and accurately and are like-for-like, you should prepare a summary of all of the quotations received which records the:
- price quoted for each item,
 - delivery date/timescale for delivery of service,
 - delivery charge, and
 - VAT.

You also need to check that prices quoted do not include hidden extras such as

- after sales service and/or technical assistance charges outside those included in the specification,
 - higher specifications than required, or
 - running costs e.g. hosting a website.
- 7.7 The quotation accepted must be the lowest acceptable price. You should formally record your decision (**Annex C** contains a sample template). If the lowest acceptable quotation is not going to be accepted, the reason(s) for the decision must be communicated in writing by you to the Council Admin Unit, along with the application procurement documentation. If the application is successful at project assessment stage, the offer of funding will be calculated using the value of the lowest quote. You will be responsible for the additional costs.

Exceptional Circumstances

- 7.8 If you are unable to obtain the required number of quotations for example, where there is only one supplier, you must provide evidence, e.g. printouts from Internet searches from at least two Internet search engines / sites showing the number of suppliers for a specific item; or evidence that you have contacted potential suppliers via email (N.B. A note from the intended supplier stating they are the sole supplier is

insufficient evidence). This information must be provided in writing to the LAG.

- 7.9 The Council Admin Unit will test the evidence provided and undertake a reasonableness of costs check on the single quote provided by you. Where there is a significant variance in cost, you must provide a written explanation, following which the LAG may decide to reject the quotations submitted by you on the basis that the quoted price does not represent Value for Money (VfM). If this situation arises then the LAG **must** inform DAERA.

8. Retention of Procurement / Purchasing Documentation Required for Claim Preparation

- 8.1 The Letter of Offer will set out the terms and conditions for submission of the claim for payment and supporting evidence required. In the interim you should retain all evidence seeking and receiving quotes/tenders, notification of the successful and unsuccessful contractors, and any contract/follow-up agreement with the successful one. Examples of this information include:

- Copy of the specification,
- Public advertisements,
- Emails/correspondence inviting tenders,
- Tenders received,
- Tender paperwork including tender envelopes and unopened tenders received after the closing time/date,
- Tender receipt record,
- Successful and unsuccessful letters to suppliers / contractors,
- Invoices,
- Proof of payment,
- Explanations or justifications for any variation from the agreed procedures, and
- Copy of the contract issued (if applicable).

SPECIFICATION

Introduction

The introduction should briefly explain the requirement and the context of that requirement. Briefly explain your business/organisation, don't assume all suppliers/contractors will know who or what you are.

Background

The information provided here should be of sufficient length and detail to ensure the supplier/contractor has an understanding of why this item/work is being commissioned.

Scope of the Contract

This is the description of the requirements. It should briefly detail the organisation's project expectations and should set out the broad scope of the procurement i.e.

- what is included;
- what is excluded;
- anything that is optional;
- geographical coverage if relevant;
- anticipated quantities (although not guaranteed).

Outline of the requirements

State the detailed requirements the supplier/contractor is to meet, and

- include the mandatory requirements - these are essential requirements that supplier/contractors must meet. Ensure they really are essential because bids can be rejected for failing to meet them;
- use simple language, avoid using jargon;
- define terms, symbols and acronyms either in a list at beginning or when they are first used;
- do not be more technical than is necessary in order to make the intention clear;
- be as concise as possible but don't be so economical as to risk lack of clarity;
- plan and analyse your needs;
- arrange the components of the requirement into a logical form. A good way of doing this is to set out a skeleton structure with the main headings and then add in sub-headings as necessary;

- do not embed requirements in background information as suppliers/contractors may miss them. Keep requirements in their own sections;
- list the most important elements of the requirement first and work through to the least important; and
- discuss the requirement with colleagues and other users and procurement staff (if applicable), if necessary. During this process you may also identify other topics you need to include.

Define the task or desired result by focusing on what is to be achieved (output), not by describing the way it is to be achieved (input). This challenges contractors to use their skills and develop smart, creative solutions. There are some cases however where it may be appropriate to specify particular types of equipment, provide drawings or patterns, but this should be avoided as far as possible. Specifying requirements in terms of outputs or functions gives contractors the opportunity to propose innovative solutions or simply be more creative in their proposals and also means the responsibility for ensuring that the solution meets the requirement rests with the contractor rather than the customer.

Consider also

- any training that staff will require;
- security - describe any specific security requirements appropriate to the requirement;
- standards - set out any standards relating to the goods or services being procured, for example health and safety, electrical; and
- consider practical matters e.g. delivery times, how the goods/services are to be provided, what you want to happen if successful supplier can't provide goods/services on time, how goods/services will be ordered e.g. catalogue.

Contract Management and Payment Arrangements

You should define what type of contract information you require, and if regular meetings/update reviews are required, these should be built in here (if applicable). Details of how the supplier should invoice and payments arrangements must be outlined.

Mobilisation of Contract/Delivery

You should state any delivery requirements or timescales for delivery including any special requirements.

Security Clearance

You must detail what type of security clearance is required to provide the service or if procuring supplies/goods if security clearance applies.

QUOTATION /TENDER ACTION RECORD

Annex B

Quotation /Tender for:

Closing Date:

| Quote /Tender No. | Name & Address of Prospective Suppliers sent the specification | Date Specification Issued | Date Quotation /Tender Received | Forms completed by potential supplier | | Signed quotation/pricing documents | COMMENTS |
|-------------------|--|---------------------------|---------------------------------|---------------------------------------|-----|------------------------------------|-----------------|
| | | | | F.O.T* | VAT | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

***F.O.T** – Form of Tender i.e. please specify how quotation/tender was submitted - by hand, post, fax, email etc.

This form should be used to record the procurement details from sending the specification to the suppliers through to supplier selection. You should write the details of each quotation / tender received onto the form.

I/We certify that _____ quotations/tenders were received on or before the due time and were opened by me/us on _____ (Date)

There were _____ late quotations/tenders.

Name(s) in CAPITALS: _____

Signed: _____

EVALUATION OF A QUOTATION / TENDER

- **Evaluation criteria**
Price or Price/Quality.
- **Weighting criteria**
The total weighting of all the evaluation criteria should add up to 100. The weighting value should represent the importance of the requirement within the procurement.
- **Score for quotation**
The person evaluating the tender must decide how the tender scores against the weighting. For example scoring the speed of a printer against the desired speed of 20 pages per minute and 1 printer can do 20 and the other 30. The one at 30 would receive a higher score.

| EVALUATION CRITERIA (Examples given below) | WEIGHTING | SCORE FOR QUOTATION / TENDER 1 | SCORE FOR QUOTATION / TENDER 2 | SCORE FOR QUOTATION / TENDER 3 | SCORE FOR QUOTATION / TENDER 4 |
|---|-----------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Price | 70 | | | | |
| Quality | 30 | | | | |
| TOTAL SCORE | 100 | | | | |

| | | | | | |
|-------------------------------|--|--|--|--|--|
| | | | | | |
| COMMENTS | | | | | |
| Successful quotation / tender | | | | | |

Evaluation completed by Name(s): _____

Signature: _____

Date: _____

The form should be signed and dated by the scorers