

PROCUREMENT

1. INTRODUCTION

- 1.1 The Corporate Overview Panel commissioned two major reviews during the summer of 2005.
- 1.2 The first covering a number of issues around the delivery of the capital programme was requested following concerns over the amount of slippage that was occurring in the capital programme each year and a number of challenges that had been made by contractors used by the Council which had resulted in litigation.
- 1.3 The second review, whilst related to the first, focussed on the Councils overarching approach to procurement.
- 1.4 The project brief for both projects were constructed in conjunction with the Corporate Overview Panel following 'brainstorming' sessions on the issues.
- 1.5 A project Review Board was established for the Capital Review which was latterly enhanced to include the Procurement Review in order to ensure synergy and avoid duplication. Appendix A sets out the members of the Project Board and the project teams.
- 1.6 This report, and proposed attachments, have been considered by the Corporate and Overview Panel and their comments are included within this report.

2. CAPITAL

- 2.1 The two main drivers for this review were the continued slippage that, for varying reasons, seems to occur every year to a level that was deemed unacceptable. In addition the Council had encountered a number of project management/contractual problems some of which had resulted in litigation and significant additional costs being incurred. With two main thrusts of this review it was a natural conclusion to create two project teams.
- 2.2 The Groups identified and analysed the main causes for both slippage and contractual issues encountered. The Groups evaluated the existing rules, regulations and guidance to assess whether the framework within projects have to operate were fit for purpose. The outcome of those deliberations was that the Council needed to adopt a more flexible and modern approach to project delivery. However it was felt that with any relaxation, or increased flexibility, must come increased accountability and action for breaches of the framework once agreed.

- 2.3 A significant amount of work has been put in by all the members of both Groups but special recognition must go to John Welsh, Karina Curson and Kevin Green who have drafted the documents that are attached for consideration.
- 2.4 Attached to this report are the following documents that are the culmination of the work of the two Groups:-
- Revised Standing Orders (Contracts) (Appendix 1)
 - Contract Standing Orders User Guide (Appendix 2)
 - Desk Guide to Purchasing (Appendix 3)
 - Revised Financial Regulations (Appendix 4)
 - Project Management Guide (Appendix 5)
- 2.5 Although significant work has been undertaken in updating standing orders to ensure they are more flexible and appropriate these may need to be further refined if the draft Procurement Strategy retains its current thrust and focus.
- 2.6 The Project Management Guide is at this stage a summary document and will need significant additional work in order that it becomes a detailed guide, with examples of best practice, and to ensure that it is based on an NFDC structure. This is programmed to be completed by the end of May.
- 2.7 A major issue that was identified from the Group that considered issues/concerns arising from processes was the inability to undertake up-front work due to budget constraints. Due to the timing of the budget process, and therefore the confirmation of resources, work was unable to commence on design activities until part way into the financial year in which the project was to be completed for many schemes. This was seen as a major contributing factor to the amount of slippage that was encountered. The Group therefore have recommended that a rolling design budget be established in the sum of £50,000 in order for such works to be completed prior to the year in which the project is programmed for completion.

3. PROCUREMENT

- 3.1 The Project Brief for the Procurement Review envisaged a much more protracted review that was likely to evolve as the strategic direction that the organisation would follow gained clarity. The Project Team were deliberately chosen to ensure that a full and diverse range of responsibilities and business interests were available to the Board and special thanks for the drafting of this document go to Beccy Drummond.

- 3.2 Whilst many of the other documents attached to this report are in their final draft the Procurement Strategy is very much an early working draft and will be subject to consultation with a wide and diverse range of groups. It is therefore intended to undertake that consultation before bringing a more robust draft to the next meeting of this Panel. The Strategy will set out a framework that will assist the Council to deliver the key corporate objectives that have been set out within the Corporate Plan. It also challenges the how as well as the what. In essence the Strategy could, and perhaps should, significantly shape the future culture of the organisation.
- 3.3 As it stands the Draft Strategy poses as many questions as it answers but if the Council is serious about helping to deliver sustainable communities and challenging the way in which we deliver the services we provide an action plan can be developed to tackle them. The answers won't be found without difficulty or coming up against legislative constraints and some degree of uncertainty. However this is a challenge that the Council will rise to with support from all interested parties. It is therefore important that all relevant stakeholders have the opportunity to help refine the Strategy before it is considered by this Panel.

4. TRAINING

- 4.1 It has become clear that there is a lack of knowledge and, or, skills within the organisation. Whilst many have contributed to these reviews and have displayed an outstanding knowledge and experience the examples of poor practice and breaches of the existing regulations demonstrate that this is not replicated around the Council.
- 4.2 The reviews have therefore highlighted a need for the development of training around the introduction of the proposed amendments to Standing Orders and Financial Regulations. The Teams and the Board feel that a combined carrot and stick approach should be adopted. Greater freedoms and flexibilities are being recommended but with this must come refreshed (not new) accountabilities and responsibilities.
- 4.3 Regulations are intended to protect the Council, the Budget Responsible Officer and the public purse. The proposals in the attached documents should enable all officers to manage projects and budgets efficiently and effectively. Any breaches will therefore be taken seriously and it is therefore important that all BRO's are fully aware and understand the attached proposals. If the Procurement Strategy is adopted in more or less its current format there will be a need to explain both the methodology and how this will impact on tender evaluation.
- 4.4 In addition as the Project Management Guide reaches full completion it is intended to provide training and support for all officers who may be responsible for the management of projects however large or small. It is envisaged that e-based training on the subject would also be available and that project management should be a core competency for some staff.

5. CORPORATE OVERVIEW PANEL COMMENTS

- 5.1 The Corporate Overview Panel agreed the recommendations set out in the report and commended the Members and Officers involved in what was a very thorough and complex piece of work which it was hoped would have positive benefits to the organisation and local businesses.
- 5.2 The Head of Legal and Democratic Services highlighted the need to add a delegation to allow officers below Heads of Service to enter into contracts up to amounts to be specified by the Director of Resources, which was accepted.

6. SUMMARY

- 6.1 No apology is made for the amount of paper that is presented with this covering report. Significant resources have been consumed on developing the revised guidance and regulations around capital projects and what is attached is a significant step forward in facilitating improvements in the management of those projects. With increased flexibilities must come increased accountability and further work will be done in this area.
- 6.2 A full and robust training programme will be developed for all staff to ensure clarity and understanding and to improve technical competence in these areas.
- 6.3 The Council has a real opportunity to develop a more strategic and challenging framework for all procurement decisions which will help deliver the aspirations it has set within the Corporate Plan. This will however take commitment and to an extent courage throughout the organisation.

7. RECOMMENDATIONS

It is recommended that:

- (1) That the Council be recommended:
 - (a) to agree the new Contract Standing Orders and the amendments to the Financial Regulations and to agree the delegations attached to the Contract Standing Orders in so far as they relate solely to Council functions;
 - (b) to approve the Contract Standing Order User Guide and the Desk Guide to Purchasing;
 - (c) to agree a supplementary estimate of £50,000 (on a rolling basis) to enable design and preparatory work to be undertaken on schemes in the year prior to their commencement;

- (2) That, subject to (1) (a) above, the Cabinet agree the delegations attached to the Contract Standing Orders in so far as they relate solely to executive functions;
- (3) That the Summary Project Management Guide be noted; and
- (4) That the work to date on the Procurement Strategy be noted.

RECOMMENDATIONS

Chris Malyon
Director of Resources
2 March 2006

APPENDIX A

PROCUREMENT PROJECT BOARD

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Cllr Colin Baker
Cllr Roger Neath
Cllr Chris Treleaven
Chris Malyon
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Cm/msd/reports/procurement



Contract Standing Orders

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1. INTRODUCTION

- 1.1 The Council has a statutory duty to make Standing Orders for the procurement of goods, services or works in order to achieve competition and to regulate procedures for inviting tenders.
- 1.2 These orders are intended to provide rules and procedures to be followed in order to obtain best value, comply with the Law which governs spending and to safeguard public funds as well as to protect the interests of individuals involved in procurement. These Contract Standing Orders provide the framework for the procurement of all works, supplies and services and must be complied with by all Members, Officers, Consultants and other external Agents appointed to act on behalf of the Council in procurement matters.
- 1.3 Contract Standing Orders apply to all Council external procurement regardless of the source of funding. These Standing Orders do not apply to the purchase and disposal of land in accordance with the Council's Asset Management Policy and the Council's Scheme of Delegations.
- 1.4 These Contract Standing Orders should be read in conjunction with both the 'Standing Orders User Guide' and the 'Desk Guide to Purchasing', which provide detailed procedures and guidance to be followed to comply with these Standing Orders and the Council's Financial Regulations.
- 1.5 The Council's Project Management Guide provides the framework to be followed for the delivery of a project from inception to completion. It maps key stages of a project to ensure that the requirements of Contract Standing Orders and Financial Regulations are met in the procurement and funding of projects.
- 1.6 Contract Standing Orders will be reviewed annually by the Council's Section 151 Officer and the Council's Monitoring Officer.

2. DEFINITIONS

In these Standing Orders, the following definitions shall apply;

Authority	District Council of the New Forest
Cabinet	the Portfolio-Holders with overall responsibility for the discharge of the Council's functions
Chief Executive	Head of Paid Service
Committee	a meeting of any Committee or Sub-Committee of the Council
Contract	a document setting out the terms and conditions for the supply of goods (supplies), works or services (as appropriate) as agreed between the Contractor and the Council
Contractor	any organisation external to the Council seeking to provide goods (supplies), works, or services

Desk Guide	the Desk Guide to Purchasing
Director	a Head of a Directorate employed by the Council
Head of Service	a Head of Service employed by the Council
Member	an elected member of the Authority
Supervising Officer	the officer nominated as Supervising Officer for the purposes of the Contract
User Guide	the Council's Standing Orders User Guide

3. RESPONSIBILITIES

- 3.1 Where the Council has established expertise in a function, all relevant works and services shall be delivered by the Service with this expertise. In-house services are required to demonstrate quality and competitiveness in accordance with the principles of Best Value.
- 3.2 Where the Council requires additional works or services, and there are insufficient resources in the established Service, then this Service will be responsible for procuring additional external resources in accordance with these Standing Orders.
- 3.3 The Central Purchasing function (CPU) has overall responsibility for the procurement of supplies and services. Requisitions for purchases must be sent to the CPU. Standing Orders contain certain exceptions but CPU should be consulted on all procurements.

4. AUTHORITIES

- 4.1 The Director has ultimate responsibility for all contracts awarded by their Directorate. Authority to make decisions under these Contract Standing Orders and the Procurement regime generally is delegated in accordance with the Council's Scheme of Delegations. The relevant extract from the Scheme of Delegations relating to Contracts is attached as an Appendix to these Standing Orders. Officers entering into and supervising contracts must do so in accordance with the authorities recorded in the said Scheme.
- 4.2 Contract Payments must be authorised in accordance with the Council's Code of Practice for Authorised Signatories and within the financial limits allocated and comply with the approved budget and Financial Regulations.

5. EXCEPTIONS

- 5.1 The procurement rules in these Standing Orders do not apply where:
 - (i) The Council is to procure works, supplies or services through a Consortium or similar body, provided the Council is a member of the Consortium and the Consortium's or similar bodies rules are followed.

- (ii) Works carried out under an Agency arrangement which states that the Standing Orders of the Principal Authority apply.
- (iii) Award of further work under an existing contract, where this is not provided for in the contract, may be made, subject to financial provision, where exceptional performance and value for money has been demonstrated to the satisfaction of the Director of Resources. The further work should not exceed 50% of the original sum or £100,000 whichever is the lower and not exceed 2 years in duration. The additional period, on the same terms, is conditional on continuing delivery of exceptional performance and value for money.
- (iv) An existing contract for the supply of a service is to be extended provided a report demonstrates that best value is being achieved to the satisfaction of the Director of Resources.
- (v) The goods or materials are proprietary items, or their prices are controlled by trade organisations or government order, or they are sold at a fixed price only provided that in each of these cases there is no reasonable satisfactory alternative product.
- (vi) Contracts are awarded to complete work where a contractor becomes insolvent or the employment of an existing contractor is determined. In such cases, the Director of Resources' approval is required.
- (vii) The appointment of Counsel or Specialist Solicitors by the Head of Legal and Democratic Services in consultation with the relevant Director or Head of Service.

6. PROCUREMENT RULES

6.1 EC PUBLIC PROCUREMENT LAW AND OTHER LEGISLATION GOVERNING PUBLIC BODIES

- 6.1.1 All procurement must conform with the current EU Procurement Directives and other legislation covering procurement by Public Bodies including the Public Contracts Regulations 2006; LGA 1999 Best Value; LGA 2003; Local Government Contracts Act 1997; Local Government Act 1988 Parts I and II; the Public Supply Contracts Regulations 1995; the Public Works Contracts Regulations 1991; the Public Services Contracts Regulations 1993 and the Local Government (Contracts) Act 1997.
- 6.1.2 The European Commission requires that all works, supplies and service contracts above certain thresholds must be advertised in the Official Journal of the European Union (OJEU).
- 6.1.3 The EC procurement thresholds as at 31/01/06 are:
Works £3,611,319 Supplies £144,371 Services £144,371
- 6.1.4 All queries on these EU Directives should be referred to the Council's Central Purchasing Manager.

6.2 STANDING APPROVED LIST

- 6.2.1 The Council operates a Standing Approved List (SAL) of organisations that may be invited to provide quotations or tenders. This list is split into 3 Categories – Category 1; Category 2 and Category 3. The characteristics of each category are set out below. The letting of all contracts, however small, involves risks to the Council. Such risks will be minimised with the use of fully ‘accredited’ companies (i.e. Category 3 companies). Such companies should ideally be used in the first instance. However, in the circumstances set out within Categories 1 and 2 below, (supported by guidance in the User Guide), companies may be selected from within those Categories.

Category 1

Category 1 is a list of suppliers who have not undergone any ‘pre-qualification’ checks and are essentially ‘unaccredited’. Potential suppliers selected from this category can be used for the **supply of goods** up to an annual value of £25k per supplier. Once the annual threshold has been reached for a particular supplier, any further contracts for that company have to be approved by the Audit Manager.

Category 2

Category 2 contains a list of potential companies that have undergone, either, some basic ‘pre-qualification’ checks (see User Guide for more guidance) or more fuller ‘pre-qualification’ checks and can be used for **services and works** up to an annual value of £25k per contractor. Once the annual threshold has been reached for a particular company, any further contracts for that company have to be approved by the Audit Manager.

Category 3

Category 3 contains a list of potential companies who are fully ‘accredited’ having undertaken a series of technical and financial checks. Potential companies within this category should be used for the supply of all goods, services and works over £25k and up to the EU limits unless the Director of Resources gives his approval to the use of other companies. Such other companies, whilst not within Category 3, will still need to undergo appropriate ‘pre-qualification’ checks to the satisfaction of the Audit Manager.

- 6.2.2 Each Category will be populated by the Officers with a sufficient number of companies to demonstrate best value. Officers must report additional companies required to the Central Purchasing Manager.
- 6.2.3 All contracts let to companies under either Category 1, 2 or 3 should always be in writing and meet the requirements of clause 7 below.

6.3 DISAGGREGATION

- 6.3.1 Procurement must not be disaggregated to reduce individual contract sums in applying the procurement rules.

6.4 PROCUREMENT RULES FOR CONTRACTS

6.4.1 The table below provides a summary of the rules to be followed, based on the estimated contract value. It is an overriding principle in respect of the letting of any contract of whatever value, that the Council and its officers must be able to demonstrate value for money.

6.4.2 The User Guide provides detailed guidance to be followed in each case.

Works	Goods, Materials & Services	Requirements	Procedure to Follow If there are no existing corporate contracts in place to meet your needs	Selection of Contractors
Up to £5,000	Up to £5000	At least 1 Quote must be obtained	Determine exactly what you want and obtain a quotation. If you are confident it is value for money then place an official order via Agresso	From SAL Categories 1 *, 2 ** or 3 * for supplies only ** for works and services only
£5,001 -£25,000	£5,001 - £25,000	At least 3 Quotes must be sought. Tenders can be sought instead but this is optional.	Follow quotation procedure.	From SAL Categories 1 *, 2 ** or 3 * for supplies only ** for works and services only
£25,001 - £100,000	£25,001 - £100,000	At least 3 tenders must be sought.	Follow tender procedure	From Category 3 of SAL or Select from other suitably pre-qualified organisations with the approval of the Director of Resources. Pre-qualification must be to the standards of the SAL
£101,000- £3,611,319	£101,000- £144,371	At least 6 tenders must be sought.	Follow tender procedure	From Category 3 of SAL or advertise in one or more local newspapers and one of more relevant national journals with the approval of the Director of Resources. Approved list contractors to be invited to respond to the advert Organisations expressing an interest to the advert must be pre-qualified to the standards of the approved list prior to inviting to tender.

Above £3,611,319 (EC threshold)	Above £144,371 (EC threshold)	At least 6 tenders must be sought. You must ensure the tender process complies with the EC Directives. In addition tender adverts must be placed in at least one local paper and a suitable trade journal.	Follow EC tender procedure	In accordance with EC Regulations
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Audit Services must be:

- **Notified of all works, supplies and services to be purchased under contract prior to commencing the procurement process**
- **Informed about all tenders that are potentially subject to the EC Procurement Directives**
- **Notified of all contracts that are awarded**

6.5 MANDATORY REQUIREMENTS FOR ALL CONTRACTS

- 6.5.1 The Council must have a legal authority to enter into the contract.
- 6.5.2 An accurate and up to date estimate must be prepared for all contracts.
- 6.5.3 Adequate budgetary provision must exist for the provision of these goods, works or services.
- 6.5.4 All tenders, quotations, orders and contracts for procurement must be based on a specification.
- 6.5.5 All contracts must be in writing and include the mandatory clauses listed in Section 7.
- 6.5.6 As a general rule, an industry standard form of contract must be used where relevant. Standard forms of contract must not be amended without consultation with Legal Services.
- 6.5.7 Where no standard form is available for this type of work, supply or service, a model form of contract for general use is available in the User Guide.
- 6.5.8 For the purchase of goods the Standard Conditions on Council orders should be used where appropriate.

- 6.5.9 A performance bond must be provided for all works of £100,000 or more. The value of the bond shall be 10% of the contract sum. The requirement for a bond may be waived in consultation with the Insurance and Risk Manager, provided the works are considered low risk and this is approved by the Audit Manager. For works less than £100,000 a bond should be included if it is considered that a high level of risk exists following consultation with the Insurance and Risk Manager.
- 6.5.10 A TUPE statement must be included where applicable in consultation with the Head of Human Resources.

7. MANDATORY CONTRACT CLAUSES

7.1 All contracts, except where the Standard Conditions on Council Orders are used or an alternative form of contract is approved by Legal Services, must include clauses to reflect the following Heads:

- (i) Termination in the event of the appointment of a liquidator or receiver, or failure of the contractor to perform his obligations under the contract.
- (ii) Cancellation in the event of Canvassing or Corrupt Practices
- (iii) Prohibition of Assignment
- (iv) Avoidance of Restrictive Practice
- (v) Insurances. The Council's current standards are:
 - £10M Public liability (for each and every claim).
 - £10M Employers liability. Policy to include an indemnity to Principals clause
 - For Services, Professional Indemnity cover to a level commensurate with the level of risk, in accordance with guidance from the relevant professional body. As a guide, the level of cover required will normally be in the range £500K –to £5M.

Where it is considered that the levels are not commensurate with the risk, the Insurance and Risk Manager should be consulted for the appropriate levels.

- (vi) Form of Tender where contract was required to be tendered
- (vii) Freedom of Information and Data Protection Clauses
- (viii) Confidentiality
- (ix) Liquidated and Ascertained Damages (after a risk assessment has been carried out by the Supervising Officer)
- (x) Provision for compensation in the event of default by the contractor.

- (xi) Tender Acceptance clause. The Council does not bind itself to accept the most financially beneficial or any other tender. The tender may be accepted in part if these are clearly defined as separate parts in the bid.
- (xii) Tender evaluation criteria including a price / quality split (to be agreed with the Audit Manager).
- (xiii) Health and Safety safeguards for works contracts.

7.2 These are found in the model form of contract in the User Guide.

8. PROCUREMENT PROCEDURES

8.1 PLANNING AND NOTIFICATION

8.1.1 The Council's Guide to Project Management provides detailed guidance on preparing a business case, submitting a bid for funding, preparing an accurate estimate and detailed specification etc.

8.1.2 The Audit Services maintains the Council's Register of Contracts. Prior to commencing the procurement process the responsible officer must notify Audit Services using the Contract Notification form (User Guide page 1).

8.2 SELECTION OF TENDERERS

8.2.1 Where organisations are selected from a Standing Approved List selection will be made using the procedures for operation of the list (User Guide page 1).

8.2.2 Where a suitable category is not established, or additional organisations are invited to tender with the approval of the Director of Resources, organisations invited to tender must be adequately pre-qualified. The User Guide provides guidance on the level of pre-qualification vetting required for each type and value of contract. The costs of this pre-qualification assessment will fall on the Service procuring the works, supplies or services.

8.2.3 Where organisations are not selected from a Standing Approved List the Supervising Officer must keep a record of the selection process used to shortlist contractors for tendering. For all contractors rejected from the shortlist a record must be maintained of the reason for rejection. This must be kept with the contract files.

8.3 EVALUATION MODEL

8.3.1 The User Guide includes a basic evaluation model which may be adapted to fit all types of contracts.

8.3.2 Where the evaluation criteria include both price and quality, the model to be used for the evaluation must be agreed between the Supervising Officer and the Audit Manager prior to the date for return of tenders.

8.4 RECEIPT OF TENDERS

8.4.1 Tenders must be submitted in sealed envelopes endorsed with the details of the relevant tender, and addressed to the Head of Legal and Democratic Services.

- 8.4.2 A Form of Tender Opening must be completed by the Supervising Officer and sent to Legal Services following despatch of tender documents.
- 8.4.3 Tenders must be date stamped on receipt and kept secure until the appointed opening time.

8.5 OPENING OF TENDERS

- 8.5.1 All Tenders must be opened at the same time by the officer delegated to carry out this task by the Head of Legal & Democratic Services and with at least one other officer (normally the Supervising Officer) present. The Form of tender opening shall be completed in full at the time and retained for a period of 5 years.
- 8.5.2 Tenders received after the closing date and time will not be accepted and must be returned to the tenderer.

Where less than the requisite number of quotes or tenders is returned then the Supervising Officer must decide whether a competitive price has been obtained and report to the Director of Resources. Where it cannot be demonstrated that a competitive price has been achieved then the contract must be re-tendered.

8.6 TENDER EVALUATION

- 8.6.1 The arithmetic accuracy of tenders, and reasonableness of any prices must be checked by the Supervising Officer.
- 8.6.2 For standard forms of contract the relevant contract rules for the treatment of errors will apply. For non standard forms of contract: where an arithmetic error is found in the most favourable tender, the tenderer must be required to stand by their tender or withdraw.
- 8.6.3 The Supervising Officer for the contract is responsible for carrying out the tender evaluation. The results must be checked by another independent officer. The evaluation results must be recorded in writing and retained for the duration of the contract.
- 8.6.4 No referential or qualified tenders may be accepted.
- 8.6.5 The Supervising Officer may clarify the tender prices with a tenderer provide all communication is by letter or e-mail and retained with the contract files.
- 8.6.6 No negotiations are allowed with tenderers other than as specified in the table below in "Acceptance of Tenders".

8.7 ACCEPTANCE OF TENDERS

8.7.1 A tender may be accepted if it is:

- Within the approved budget,
- Meets all other tender requirements
- And is either the most financially beneficial to the Council (price only evaluation), or has the highest score (price/quality evaluation)

8.7.2 Unless the EC Regulations apply, the following actions must be taken where any of the following issues apply:

Issue	Evaluation	Actions Required
Wish to accept tender other than lowest	Price only evaluation	Director of Resources and Portfolio Holder approval
Wish to accept other than highest score	Price and quality evaluation	Director of Resources and Portfolio Holder approval
Most favourable tender above budget, and additional funding available	Price only evaluation and Price and quality evaluation	Seek supplementary estimate or virement in accordance with Financial Regulations
Most favourable tender up to 10% above budget and no additional funding available	Price only evaluation And Price and quality evaluation	Negotiate amended design or specification with the most favourable tenderer. The approval of the Director of Resources and Portfolio Holder (and possibly Council depending on amount of additional money sought) is required. A reduction of 10% only is permitted on the original tender. Retain a formal written record of all communications with the tenderer.
Most favourable tender in excess of 10% above budget and no funding available		Invite the 3 lowest tenderers to re-tender on a new specification. Or Undertake a completely new tender process. Or Consult with the Director of Resources and Portfolio Holder to agree another course of action (may need approval of Council depending on amount of additional money sought).

8.8 DISCLOSURE OF TENDER RESULTS AND NOTIFICATIONS

- 8.8.1 The successful tenderer must first be notified of the intention to award the contract. Unsuccessful tenderers may then be notified in writing that their tender has not been successful for this contract. They must also be provided with an alphabetical listing of tenderers and a list of tender sums in descending order.
- 8.8.2 For contracts advertised in the European Journal the notice of award of the contract must be submitted and the rules relating to any appeal period followed.
- 8.8.3 All contracts awarded must be reported on the Council's website. Prior to the commencement of any contract the Supervising Officer must notify the Accounts Payable Section.
- 8.8.4 When a contract has reached final account stage internal audit must be notified prior to the release of any retention.

8.9 SIGNING AND SEALING OF CONTRACTS

- 8.9.1 Contracts with a value in excess of £100,000 shall be made under seal. This provides a 12 year limitation period for actions to be taken arising from breaches of obligations under the contract (Limitations Act 1980). Contracts not under seal have a 6 year limitation period. Contracts with a value of less than £100,000 can be made under seal where this is advantageous to the Council and assistance may be sought from Legal Services.
- 8.9.2 Under the Local Authorities (Executive Arrangements) (Modifications of Enactments and Further Provisions) Order 2001, where a contract is not made under seal it must be signed by two Officers in accordance with their delegated authorities under Authorised Signatories.

8.10 E-PPROUREMENT

- 8.10.1 The Council is in the process of developing E-Procurement systems. Any associated new procedures must adhere to the same legal and policy obligations that govern all public procurement. E-Procurement must comply with the rules of the European Commission and the UK government's Value for Money Policy.
- 8.10.2 The European Commission (EC) Consolidated Directive (2004/18/EC) supports the adoption of E-Procurement. The new provisions on E-Procurement cover the following areas:
- Electronic reverse auctions (EAuctions)
 - Dynamic Purchasing Systems for regularly purchased goods and systems
 - Rules applicable to communication
 - Requirements relating to equipment for the electronic receipt of tenders, requests to participate and plans and projects in design contests.

9. CONTRACT MONITORING

- 9.1 It is a disciplinary offence to fail to comply with these Contract Standing Orders.
- 9.2 The Council's Section 151 Officer and the Monitoring Officer monitor compliance with these Standing Orders in accordance with their responsibilities under Section 151 of the Local Government Act 1972 and Corporate Governance.
- 9.3 Internal Audit carry out the following monitoring on behalf of the Council's Section 151 officer:
 - The procurement method planned for goods, works or services using the notification form for the Council Register of Contracts.
 - The monitoring of contract payments recorded in the Accounts Receivable Contracts register
 - The auditing of current contracts and final accounts. The Supervising Officer must notify the Audit Manager when a contract reaches Final Account Stage using the standard form in the User Guide.
- 9.4 Employees have a duty to report breaches to their Director and the Audit Manager.

10. WAIVERS

- 10.1 Any Standing Order may be waived in accordance with the following rules so long as this does not lead to a breach of EC Regulations. Waivers may be granted in special circumstances and the general approach to this is outlined below.
- 10.2 An officer may request a waiver by completing the form provided in the User Guide identifying the reasons for the request. A copy of the authorised form should be sent to Audit Services for retention with the Council Register of Contracts.

Value of Contract	Approval Required
Below £100,000	Service Director and Director of Resources
Over £100,000 but below EC thresholds	Chief Executive and Director of Resources
Over EC thresholds	Cabinet

- 10.3 All waivers granted will be reported annually to the Corporate Overview Panel.

Examples are:

Emergency Works, carried out with the approval of the relevant Director and the Director of Resources.

Departures from the rules governing company selection from Standing Approved Lists

DELEGATIONS IN RESPECT OF CONTRACTS

The following Delegations should be expressly approved by Cabinet and Council:-

1. To authorise the Chief Executive and Directors to enter into contracts up to values of £5million and £3 million respectively.
2. To authorise Heads of Service to enter into contracts up to a value of £1 million.
3. That the Director of Resources be authorised to nominate other officers below Heads of Service level to enter into contracts up to the limit of £1m as he feels appropriate.
4. To authorise the following officers to carry out all roles (*) as defined in a contract including but not exclusively the following: Contract Supervisor, Supervising Officer, Employer's Agent, Engineer, Contract Administrator, Quantity Surveyor or Planning Supervisor.

Peter Freeman	Alex Christie	Theresa Conway
Steve Davies	Ron Clarke	Mike Cash
Doug Wright	Rob Easton	Clive Moray
Roger Hand	Roger Sired	Steve Jones
Stuart Beaton	Paul Legg	
Chris Datham	Karl Beanland	
Steve Cook	Bob Burns	
Andrew Bradbury	Graham Toms	
Kevin Gould	Tom Gibbons	
Steve Tyrell	Mark Brandon	

(*) Any decision to terminate a contract shall be in consultation with the Head of Legal & Democratic Services and the Director of Resources.

5. To authorise the Chief Executive, Directors and Heads of Service at any time to nominate additional officers to carry out all roles as defined in a contract including but not exclusively the above.
6. To authorise the Chief Executive and Directors to grant waivers under Standing Orders in accordance with the process set out therein.

7. To authorise the Chief Executive, Directors, the Audit Manager and the Head of Legal & Democratic Services to take any decision set out as being one for them to take within Standing Orders as to Contracts.
8. The Assistant Director of Resources (Financial Services) be authorised to take any decisions so delegated to the Director of Resources within these Standing Orders (and Financial Regulations)



Contract Standing Orders User Guide

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1. INTRODUCTION

This User Guide provides a detailed guide to the procurement of goods, services and works through competitive quotations or tenders.

It provides guidance at each stage of the process from identifying requirements through the stages to signing or sealing contracts.

It provides links to the relevant forms required at each stage.

2. IDENTIFY REQUIREMENTS

2.1 The Desk Guide to Purchasing should be read to identify whether your purchase can be made within an existing contract, arrangement or framework.

2.2 The first stage in any tendering or quotation exercise is to identify your requirements. This involves establishing user need and setting out requirements in a specification. Although this can be in draft form at this stage, the detailed specification should seek to avoid future claims by careful drafting. At this stage you should consider the contract strategy i.e. factors such as scope, quality and duration. You should also decide on evaluation criteria at this stage, (see Tender Evaluation below) so that these may be built into any advertisements, tender/quotation documents and specification itself.

[Click here](#) for a link to the Project Management Guide.

2.3 The proposed contract must be notified to Internal Audit. [Click here](#) to download form.

3. SELECTION OF SUPPLIERS, CONSULTANTS AND CONTRACTORS

3.1 The next stage is to investigate potential suppliers/consultants/contractors. The Councils Existing Procurement Related Policies should be consulted for guidance on criteria which should be used in this investigation.

3.2 The **Council's Standing Approved Lists** should be used as the primary tool to establish the source of potential companies. This will be most important where there is either a shortage or a glut of companies. It may be advisable to hold some discussion with potential companies to establish the likely response from the market. The ability of the company to deliver the project successfully should be confirmed by the Officer at this stage.

3.3 Unless there are already sufficient companies on The Standing Approved Lists for the type of contract, **or the EU rules apply when you would follow a different process**, you need to consider the best way of selecting potential companies to make up your tender list. You may decide to advertise for potential companies. However, this may not be appropriate where there is a limited market.

3.4 Whichever way you choose to request expressions of interest, you must ensure that you have carried out this process in a way which maximises competition.

3.5 In order to gather information necessary for short listing it would be good practice to request that all those interested companies, who are not already accredited to our satisfaction, complete a pre-qualification questionnaire which would give information on financial and other areas. [Click here](#) to download an example questionnaire.

- 3.6 Check with the proposed tenderers prior to sending out the documents that they are still intending to return a tender.

4. PLANNING A TIMETABLE

- 4.1 Following your investigation into suppliers/consultants/contractors, you should then plan the tender or quotation exercise. This requires identifying the elements of work and their sequence, who is required to undertake each element, timing, liaison needs and overall timescale. This planning is essential to the tendering or quotation process. **Unless the EU rules apply** there are no specific timescales to follow but a general guideline is 4 weeks. You must build into your timetable enough time to allow companies to be able to prepare their tender response and allow for any approvals.

5. TENDER NOTIFICATION

- 5.1 Forthcoming tenders should be recorded on the council's website. [Click here](#) to download notification form.

6. LIMIT GUIDELINES

- 6.1 The table below based upon Standing Orders identifies the procurement route you should follow:

Works	Goods, Materials & Services	Requirements	Procedure to Follow If there are no existing corporate contracts in place to meet your needs
Up to £5,000	Up to £5000	At least 1 Quote must be obtained	Determine exactly what you want and obtain a quotation. If you are confident it is value for money then place an official order via Agresso
£5,001-£25,000	£5,001 - £25,000	At least 3 Quotes must be sought. Tenders can be sought instead but this is optional	Follow quotation procedure.
£25,001 - £100,000	£25,001 - £100,000	At least 3 tenders must be sought.	Follow tender procedure
£101,000 - £3,611,319	£101,000-£144,371	At least 6 tenders must be sought.	Follow tender procedure

Works	Goods, Materials & Services	Requirements	Procedure to Follow If there are no existing corporate contracts in place to meet your needs
Above £3,611,319 (EC threshold)	Above £144,371 (EC threshold)	At least 6 tenders must be sought. You must ensure the tender process complies with the EC Directives. In addition tender adverts must be placed in at least one local paper and a suitable trade journal.	Follow EC tender procedure

Audit Services must be:

- **Notified of all works, supplies and services to be purchased under contract prior to commencing the procurement process**
- **Informed about all tenders that are potentially subject to the EC Procurement Directives**
- **Notified of all contracts that are awarded**

7. OBTAINING COMPETITIVE QUOTES

7.1 If your contract is worth between £5,000 and £25,000 and you decide that this is the most suitable method of procurement then you must do the following.

- (a) Select 3 or more suitable companies.
- (b) Be aware of the market place, so that the most suitable and competent bidders are selected to quote for the work.
- (c) Clearly specify your requirements, including quality standards, evaluation methods, running costs and maintenance in such a way that prices can be clearly compared. (see Tender evaluation below)
- (d) Ensure that the contract conditions are clearly spelt out
- (e) Obtain responses on a like for like basis, so that comparison can be fairly made.
- (f) Keep a documented record of the event.

NOTE: Quotes should be submitted in writing. Beware of any terms and conditions which may be written on supplier's standard stationery as these may conflict with the Council's own conditions.

8. OBTAINING TENDERS

8.1 Tender Evaluation

8.1.1 Evaluation is a key part of the procurement process. It is the process by which the successful bid is chosen, which will establish a contractual relationship for what may be a substantial period with a commitment by the Council to spend a significant sum of public money.

Key Issues

- Deciding who does the evaluation
- Setting up the procedures and documents for evaluation
- Ensuring that the process of evaluation is fair, consistent and auditable
- Dealing effectively with the factors which may potentially disqualify some tenderers
- Keeping the financial evaluation separate from the non-financial evaluation
- Finding effective ways of evaluating the non-financial aspects of the bids
- Bringing together the financial and non-financial evaluations.

[Click here](#) to download a simple evaluation sheet and quality marking sheets.

8.1.2 The over-arching criterion on which you must evaluate any tender, quotation or negotiated proposal and on which a final contract must be awarded, subject to all other council requirements being met and the necessary financial and legal checks taking place, is the most economically advantageous tender. This does not always mean the lowest price, see below for further information. This must be assessed using criteria that are as clear as possible. This will make it easier for the Council to evaluate the tenders, as well as helping tenderers to focus on how best they can meet our requirements.

8.1.3 Such criteria, and the basis on which they are measured, must be agreed and clearly stated as early as possible in the tendering process. You must ensure that the evaluation criteria, and the basis on which tenders/quotations will be scored, are clearly written down before any tenders/quotations are invited.

8.1.4 The criteria used for assessing tenders must include total cost, and may include a range of other factors, e.g.

- Delivery/completion dates
- Technical merit
- Quality
- Running costs
- After sales service/on-going maintenance
- Aesthetic and functional characteristics
- Technical assistance.

9. CONTRACT DOCUMENTATION

9.1 Where there are specialist standard forms of contract these should be used e.g. most construction and civil engineering contracts let by the Council are based on model terms and conditions drawn up by various professional bodies. If these are not suitable

Legal and Democratic Services have examples of non standard forms of contract which may be of assistance or they will assist you in finding some other suitable model. [Click here for link](#)

- 9.2 You must include terms to cover the following when drafting contracts/looking at standard terms submitted by firms tendering for contracts.
- (i) compliance with all legislation and specifically the law on health and safety at work, discrimination on the grounds of race and the Equalities Standard.
 - (ii) compliance with the Council's insurance requirements
 - (iii) a prohibition on assignment and sub-contracting without the written consent of the Chief Officer;
 - (iv) a provision allowing the Council to cancel the contract and recover any resulting loss from the contractor if the contractor does anything which is contrary to the Prevention of Corruption Acts 1889 to 1916 or gives any fee or reward the receipt of which is an offence under Section 117(2) of the Local Government Act 1972;
 - (v) Ensure the Council is protected against the contractor's defective performance by default provisions which are appropriate to the contract;
 - (vi) that if the contractor materially breaches the contract, or a Liquidator or Receiver is appointed, the Council can:
 - (a) determine all or part of the contract and
 - (b) recover from the contractor any additional cost resulting from the completion or cancellation of the contract;
 - (b) that if the contractor has obtained or received by whatever means any information which gives or is intended or likely to give the contractor any unfair advantage over any other tenderer in relation to the tendering for and award of any contract, that the Council shall be entitled to terminate the contract;
 - (vii) that the contractor shall require to make available to the Council or its auditors such documents or access to information or access to the staff/officers of the contractor as is necessary to conduct any audit investigation into the contract.
 - (viii) Freedom of information and Data Protection Clauses.
 - (ix) Tender acceptance clause to confirm that The Council is not bound to accept the lowest or any tender.
 - (x) Tender evaluation criteria.
 - (xi) Confidentiality clause.
- 9.3 Where the work or service to be tendered is currently being undertaken by employees of the Council the requirements of the Transfer of Undertakings (Protection of

Employment) (TUPE) Regulations and associated legislation may apply. Advice from the Head of Human Resources must be sought.

If advice is received that TUPE may apply, workforce information must be prepared and available on request to those organisations invited to tender, including details of any outstanding claims for personal accident or injury and any reported incidents within the last 3 years for those employees likely to transfer.

Where it is considered that TUPE may apply, tenderers must be requested to submit a detailed TUPE statement in a separate envelope at the same time as their tender submission.

Contracts shall require contractors to provide necessary workforce information at a specified time prior to the expiry of the contract so as to enable the Council or any subsequent contractor to assess the implications (if any) of the TUPE regulations.

10. PERFORMANCE BONDS

- 10.1 In addition to the clauses set out above you must consider whether to require security for completing the contract, if, for example, the company defaults in performance or goes into liquidation. The general form is a bond which is generally for up to 10% of the contract sum, payable on proof of damage, or where the contractor is for example a subsidiary, a parent company guarantee. In some cases it would be appropriate to make that decision prior to inviting tenders, in other cases it will be for the tender evaluation panel to decide at the time of award, depending on which particular contractor(s) will be awarded the contract(s). Where a decision is to be made at tender award stage, it is important to reserve your right to require a bond and/or guarantee in the tender documents. This can be done by the inclusion of a bond/guarantee undertaking.

For contracts over £100,000 a Performance Bond must be provided, unless waived, in accordance with Standing Orders.

For contracts of less than £100,000 a Bond should be included if it is considered to be a high risk contract as based against the criteria below and the Insurance and Risk Manager feels that a Bond is appropriate.

- 10.2 In considering whether to require a bond or guarantee, the following criteria should be taken into account:
- (i) Financial (i.e. would failure of contractor be critical – is there other protection in the contract)
 - (ii) Length of contract (is length such that failure would cause serious disruption)
 - (iii) Ability to bring in another contractor (would this be difficult/costly to the Council. Are there other contractors who could step in at short notice)
 - (iv) Type of contract (is it an essential/statutory service/works which must be carried out irrespective of a contractor being in place).

- 10.3 A bond is less likely to be relevant where you are letting a term or framework agreement where the financial risks are low. You need to weigh up the cost of the bond against the protection it will offer.

11. INVITATION TO TENDER

- 11.1 The next stage is to issue the invitation to tender. This requires full tender documentation, including the specification to be in place before you issue the invitation to tender. The conditions of contract must be either:

The NFDC standard conditions used by CPU.

An Industry standard form of contract e.g. a JCT or ICE Form of Contract with any amendments approved by Legal Services.

A non standard form of contract based on an example from Legal Services, or one approved by them. (N.B. officers will be expected to draft a suitable specification).

[Click here](#) to download the freedom of information clause.

[Click here](#) to download the avoidance of restrictive practices form.

- 11.2 Once you have prepared your list of organisations to approach you need to send out the *invitation to tender* (ITT) letter [Click here](#) to download an example. This letter must be formal, it must refer to attachments and it must set out (or refer to) the tendering instructions quite explicitly. You should normally offer a single named point of contact for the tenderer so that you handle all queries consistently.
- 11.3 It is acceptable to allow oral queries so long as any information which clarifies or amends the tender documentation is confirmed in writing to the relevant tenderer and also circulated to the other tenderers at the same time.
- 11.4 Officers must make arrangements for the receipt, custody, opening and witnessing of all tenders. The Officer must notify Legal and Democratic Services as soon as possible, and at least two weeks before the closing date for the return of tenders using the attached form. [Click here](#) to download a form to complete.
- 11.5 You must inform potential tenderers to send their tenders in a plain envelope or parcel with a label provided by the Council for the purpose, on which is printed the word "Tender" followed by the subject of the contract and the date and time by which it must be returned. Tenderers must be told to seal the envelope and not to show their identity in any way. Tenders must be returned to Legal and Democratic Services at Appletree Court The address for this is:

For the attention of
Adrian Randall

New Forest District Council

Legal and Democratic Services
Appletree Court
Lyndhurst
Hampshire SO3 7PA

The onus to obtain proof of receipt rests with the tenderer.

12 RECEIPT OF TENDERS

- 12.1 All tenders must be marked with the date and time of receipt and the signature of the receiving officer. Late tenders must be treated similarly but marked "received late". All tenders must be left unopened and stored in a locked cabinet until the due time for opening.
- 12.2 Any unacceptable tender must be opened purely to determine the sender's details so that the tender can be returned with a letter of explanation.
- 12.3 Tenders which arrive late must not be considered if they arrive after all the other tenders have been opened. Late tenders received before all the other tenders have been opened may only be considered where permission is given by The Director of Resources after consideration of a report by the Supervising Officer.
- 12.4 All tenders received by the due date and time ("valid tenders") must be opened at the same time in the presence of two officers. A record of all valid tenders must be made including the name and, where applicable, amount of each tender received.
- 12.5 The Head of Service is responsible for retaining tenders for examination. Unsuccessful tenders must be retained for one year after the closing date for receipt of tenders. Successful tenders, where the contract was not under seal or executed as a deed, must be retained for six years after the date the contract expires. Successful tenders, where the contract was under seal, must be retained for twelve years after the date the contract expires. Arrangements must be made with Legal and Democratic Services for the storage of deeds.
- 12.6 Before proceeding to the evaluation stage you must check that the tender submissions are compliant with any instructions to tenderers, pricing, schedule and any other explicit requirements (e.g. submission of method statements). In particular, you should check whether tenderers have submitted their own terms and conditions as these might have the effect of qualifying the bid. If in doubt, seek advice from Legal and Democratic Services.
- 12.7 Contracts must be awarded on the basis of the most economically advantageous tender, quotation or proposal, which may not be the lowest initial financial bid, as determined by such criteria as are relevant to the type of works, supplies or services. This will generally cover the optimum combination of whole life costs and benefits, including such factors as quality, initial price, running costs and disposal costs.
- 12.8 Tenders must be passed to the officer responsible for procurement as soon as possible after they have been opened. That Officer must ensure that an evaluation of these tenders takes place. Suitably experienced officers must carry out the evaluation of tenders. It is permissible to use consultants to assist with tender evaluation, but the final decision must be made by a NFDC officer with delegated authority.

13. NEGOTIATIONS, CLARIFICATION AND AMENDMENT POST-TENDER

- 13.1 It is usually acceptable to clarify arrangements with tenderers following opening of Tenders. This might include areas of genuine ambiguity (not caused by the tenderer), liaison arrangements, arrangements for interview or site visits. Any communication with tenderers should be documented on the tender file.

13.2 In certain restricted circumstances it may be acceptable to negotiate amendments to tender prices. This must be done in a manner that does not disadvantage other tenderers and must be fully documented. **You should take legal advice before carrying out post-tender negotiations especially where the contract is subject to the EU rules.**

13.3 Where the following issues arise action should be in accordance with the following table.

Issue	Evaluation	Actions Required
Wish to accept tender other than lowest	Price only evaluation	Director of Resources and Portfolio Holder approval
Wish to accept other than highest score	Price and quality evaluation	Director of Resources and Portfolio Holder approval
Most favourable tender above budget, and additional funding available	Price only evaluation and Price and quality evaluation	Seek supplementary estimate or virement in accordance with Financial Regulations
Most favourable tender up to 10% above budget and no additional funding available	Price only evaluation and Price and quality evaluation	<p>Negotiate amended design or specification with the most favourable tenderer.</p> <p>The approval of the Director of Resources and Portfolio Holder (and possibly Council depending on amount of additional money sought) is required.</p> <p>A reduction of 10% only is permitted on the original tender.</p> <p>Retain a formal written record of all communications with the tenderer.</p>
Most favourable tender in excess of 10% above budget and no funding available		<p>Invite the 3 lowest tenderers to re-tender on a new specification.</p> <p>Or</p> <p>Undertake a completely new tender process.</p> <p>Or</p> <p>Consult with the Director of Resources and Portfolio Holder</p>

Duly Authorised Officer

13.10 All requests for sealing must be made to Legal and Democratic services and you must complete a sealing form [click here](#) to download a copy of the sealing form. Separate forms are needed for additional documents such as performance bonds. The original tender or quotation documents are required (including drawings) along with the Contractor's response, Letter of Acceptance and any other correspondence.

13.11 It is the responsibility of the Head of Service to ensure the contract complies with Standing Orders and is in the appropriate form, prior to submitting it for sealing. Therefore it is good practice to take legal advice prior to sending out your tenders and again if tenderers put in a qualified bid.

13.12 After the Contract has been awarded, details must be entered into the Contract Register, the unsuccessful tenderers advised and the contract entered on the website. [Click here](#) to download sample contract register notification form. [Click here](#) to download sample letter. [Click here](#) to download contract awarded web form.

13.13 The purpose of the Register is to identify the value of all Contracts the Council has entered into. The following details shall be included for each entry:

- Contract Name
- Name of Company appointed
- Date contract awarded
- Contract value
- Contract Start Date
- Contract End Date
- Pre-defined scope for extension
- Any waivers

13.14 On completion of the contract Audit Services must be notified of the final account stage prior to the release of any retention. [Click here](#) to download final account notification form.

14. VARIATIONS AND EXTENSIONS

The ability to extend or vary EU tendered contracts is limited and legal advice should be taken.

14.1 Extending non EU Contracts

14.1.1 There are a variety of reasons for extending the duration of a contract.

14.1.2 **It is not acceptable to extend a contract in this way merely because you have failed to carry out the tendering process in time.**

14.1.3 Where the original contract contained provision for extension then you must seek Director approval to exercise the option. This is subject to satisfactory outcomes of contract monitoring. This situation would apply when:-

- (i) the contract explicitly states that there is a right of extension (sometimes also called "renewal") for a particular period - e.g. for two years; and
- (ii) the results of contract monitoring for the initial term have been satisfactory

14.1.4 If (i) and (ii) are satisfied, then you must submit a report to the Director of Resources, seeking approval to the extension of the contract.

14.1.5 Remember that you will need to obtain 'in principle' agreement to the extension from the contractor before you begin the process of getting approval. You should also bear in mind that both parties may not reach agreement on the extension and you should therefore allow enough time before the expiry of the contract to go through a re-tender process if necessary.

- 14.1.6 An extension must be authorised prior to the expiry of the current term of the contract. Check your contract terms. Some contracts will specifically provide how far in advance a right of extension should be exercised - commonly 3 or sometimes 6 months.
- 14.1.7 Once you have obtained approval, you must record the extension in writing.
- 14.1.8 Where a variation or extension has been agreed to a contract which has not been sealed, but signed by an authorised officer, you should record this in a letter, to be countersigned by the contractor. It is good practice to have Legal Services review any proposed letter of variation prior to sending it to the contractor.
- 14.1.9 If the original contract has been sealed, then a letter may not be sufficient to vary the contract, this will depend upon the terms of the original contract.
- 14.1.10 You must note the variation or extension in your contract register. Where it is a contract that has been sealed, Legal Services will send you a copy of the document once it has been sealed. Legal Services will keep a copy of the Deed of Variation with the original contract.

15. WAIVERS

- 15.1 Whilst Standing Orders should always be followed, not every non compliance is improper and if circumstances warrant consideration of a waiver, applications should be made as follows,

Value of Contract	Approval Required
Below £100,000	Service Director and Director of Resources
Over £100,000 but below EC thresholds	Chief Executive and Director of Resources
Over EC thresholds	Cabinet

using the waiver application form. [Click here](#) to download form.

GLOSSARY OF TERMS

Approved List	A list of potential suppliers who have satisfied the Council's minimum standards
Audit Trail	System or paper generated evidence showing how and why and by whom certain processes and functions were carried out
Competitive Tendering	Awarding contracts by the process of seeking competing tenders
Contract	A binding written agreement made between two or more parties which is intended to be enforceable at law
Contractor	A firm or person who has made a contract to supply goods and/or services
Emergency	Event or occurrence which could not reasonably have been foreseen and which threatens immediate danger to life, health or property
Evaluation	Detailed assessment and comparison of supplier offers
Executive	A decision making body that is responsible for the overall management of the Council's functions
Invitation to Tender	An invitation to suppliers to bid for the provision of works, goods or services
Most Economically Advantageous Tender	The tender which will bring the greatest benefit to the Council
Procurement	Ordering, commissioning or entering a contract with an organisation outside the Council for the supply of goods, supplies or services required by the Council
Quotation	Any written offer requested either orally or in writing. A quotation may be the written confirmation of an earlier, oral offer
Tender	An official written offer to an invitation that contains a specification or a brief of 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 exchanged with prospective tenderers when they are invited to tender and that form the basis on which tenders are submitted, including business questionnaire, instructions to tenderers, contract conditions, specification, pricing document, form of tender and tenderers' responses

Variation

Temporary or permanent alteration to a contract which may result in a change in the amount to be paid to the Contractor

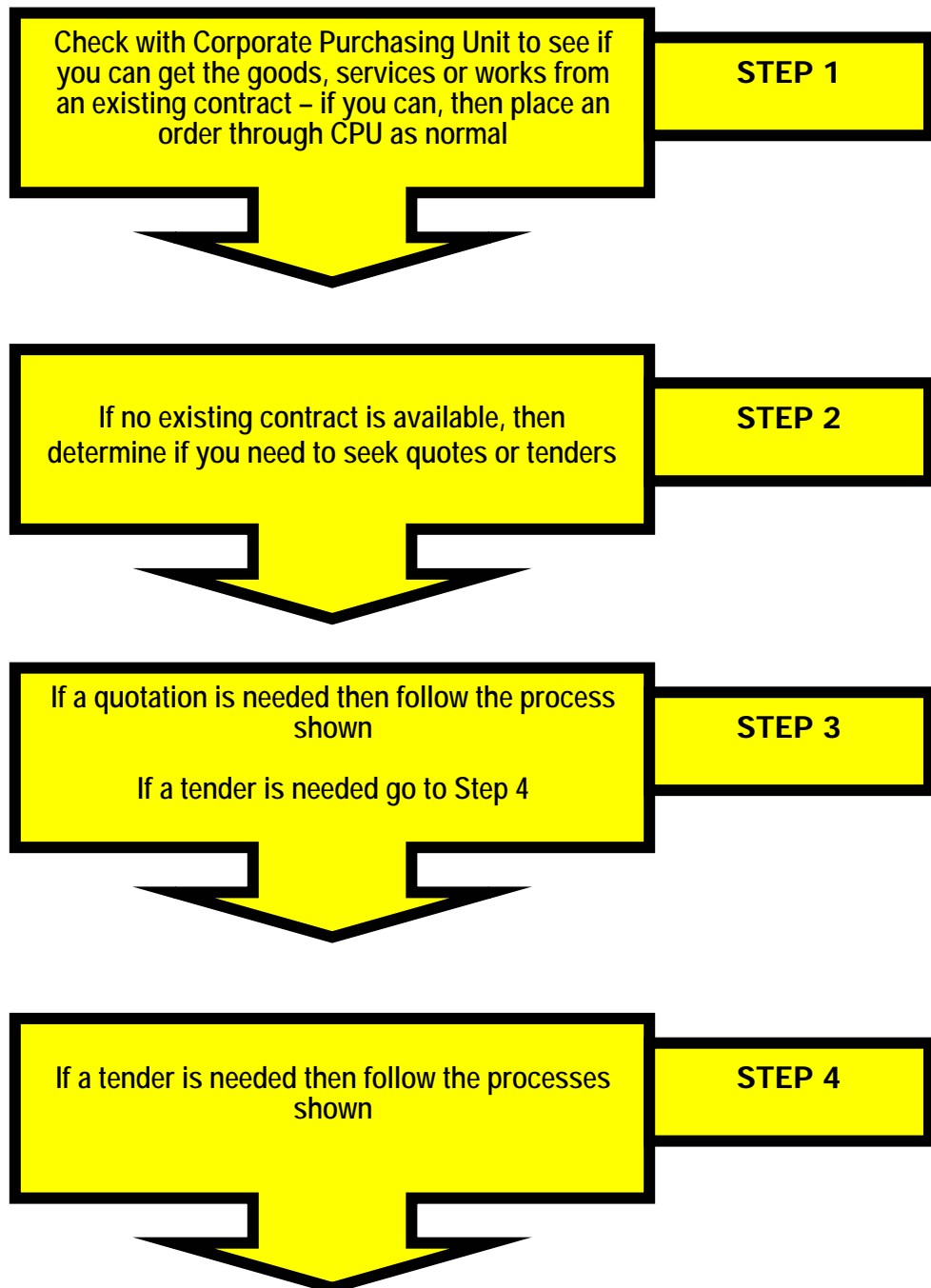


Desk Guide to Purchasing

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Key Steps - Steps to follow

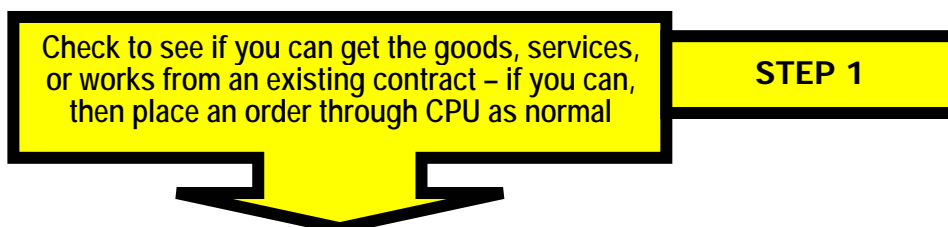


1. INTRODUCTION

- 1.1 This guide outlines the main considerations and processes involved in making a purchase of goods, services or works on behalf of the Council and has been prepared to make all officers aware of the key procurement steps which must be followed.

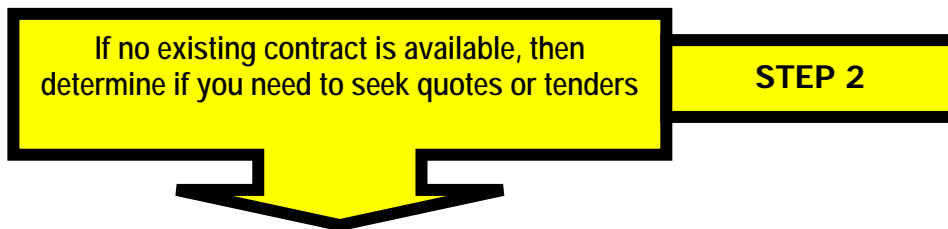
2. WHAT RULES APPLY

- 2.1 **Standing Orders** apply to everything the Council buys or even sells. They define the framework that should be followed by everyone and are there to ensure the Council acts legally, transparently and honestly in relation to all of its procurement activities. Within Standing Orders, a series of thresholds based on the value of the goods or services to be procured have been set, which determine the processes that should be followed. A copy of Standing Orders is available on the website
- 2.2 In addition **UK and European legislation applies** to any purchases for goods, materials or services over a set threshold. All potential contracts valued in excess of the UK and European procurement thresholds must follow the national and European rules as well as the requirements of Standing Orders.
- 2.3 The thresholds for both Standing Orders and the EC Procurement Directives are calculated on the total contract value and not the annual value. Splitting a large procurement operation down to smaller contracts that fall below the thresholds in order to avoid compliance with Standing Orders or the EC Procurement Legislation may place the Council in breach of the legislation.
- 2.4 The regulations to be followed vary depending on the specific items to be purchased, though in broad terms it should be noted that if the legislation is breached, then legal action can be taken against the Council. In addition legal action could be brought against individual officers if they breach Contract Standing Orders. In the worst case any illegal tendering arrangements can be cancelled and the whole process would have to be repeated in line with the legislation. In addition to any fines imposed by the courts, the Council could also be at risk from all dissatisfied tenderers that feel they have been unfairly treated and may seek to recover their tendering costs and lost profits from the Council.



3. USE OF EXISTING CONTRACTS

- 3.1 Once you have determined that you need to purchase specific goods, services or works, you should first of all find out if the Council has an existing contract or agreement that you may be able to use rather than going through a full procurement process.
- 3.2 Corporate contracts exist for a wide range of goods and services and term contracts for works. Check with CPU to see if the goods, services or works you are looking to obtain are already available from a corporate contract.
- 3.3 If it is possible to use an existing contract and the goods, services or works are covered under the conditions of the existing contract, then it should be used, unless there are very good reasons not to. By using an existing arrangement you will save both the time and cost of running a procurement exercise, and will be able to go straight to the Agresso order process.
- 3.4 Where an existing contract does not cover the scope of the goods services or works to be procured then this cannot be used to avoid tendering.



4. COMPETITION - GOING OUT TO TENDER OR QUOTES

- 4.1 All purchasing should obtain value for money and comply with the Law. Competition avoids any suggestion of favouritism, discourages monopolies and demonstrates that value for money has been sought.
- 4.2 All procurement practices must be honest, fully transparent and treat all potential and existing Suppliers equally and fairly. Doing this will ensure accusations of impropriety are unfounded therefore protecting the Council and individual officers. Evidence of action taken and the procedures that have been followed are often requested and it is essential to maintain a complete audit trail of the procurement processes.
- 4.3 Typically, a competition is carried out through seeking tenders or quotations from several Suppliers, by inviting them to make an offer to supply specified goods and services at a stated cost or rate.

5. LEGAL ASPECTS OF CONTRACTING

- 5.1 It is all too easy to unintentionally create a legally binding contract by word, action or in writing (even if the document does not refer to itself as a contract), which could, of course, commit the Council to unfavourable terms & conditions. For instance, many companies print their own terms & conditions on the reverse side of all correspondence and invoices, so unless the Councils standard terms are already in place, the contractor's terms will apply by default. If in doubt or if

you are unsure about the contractual impact of any correspondence received, please contact Legal & Democratic Services for advice before communicating with the proposed Suppliers.

6. TENDER OR QUOTATION

6.1 The table below based upon Standing Orders identifies the procurement route you should follow.

Works	Goods, Materials & Services	Requirements	Procedure to Follow if there are no existing corporate contracts in place to meet your needs
Up to £5,000	Up to £5000	At least 1 Quote must be obtained	Determine exactly what you want and obtain a quotation. If you are confident it is value for money then place an official order via Agresso
£5,001-£25,000	£5,001 - £25,000	At least 3 Quotes must be sought. Tenders can be sought instead but this is optional.	See Step 3 -Quotations for the steps to follow
£25,001 - £100,000	£25,001 - £100,000	At least 3 tenders must be sought.	See Step 4 for the steps to follow
£101,000-£3,834,410	£101,000-£153,375	At least 6 tenders must be sought.	See Step 4 - for the steps to follow.
Above £3,611,319 (EC threshold)	Above £144,371 (EC threshold)	At least 6 tenders must be sought. You must ensure the tender process complies with the EC Directives. In addition tender adverts must be placed in at least one local paper and a suitable trade journal.	Seek advice on EU procurement from CPU

Audit Services must be:

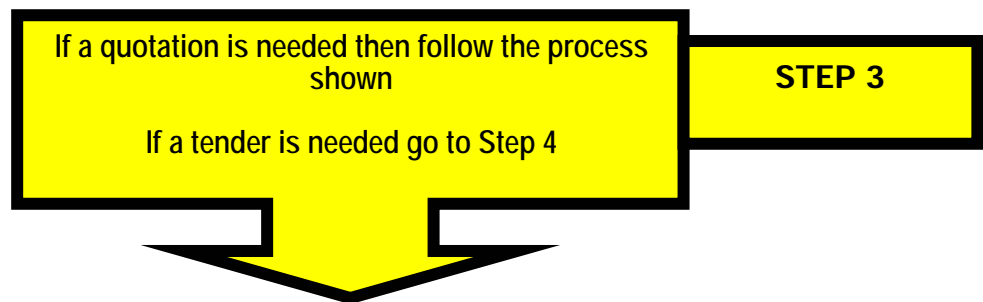
- **Notified of all works, supplies and services to be purchased under contract prior to commencing the procurement process**
- **Informed about all tenders that are potentially subject to the EC Procurement Directives**
- **Notified of all contracts that are awarded**

7. WAIVERS FROM STANDING ORDERS

7.1 In some cases it is not possible to completely follow Standing Orders, for example when there is only one Supplier or it is an emergency. In such cases you can seek relaxation from some of the rules. **Suddenly realising you have to spend the budget before the end of the financial year is not normally accepted as a valid reason.**

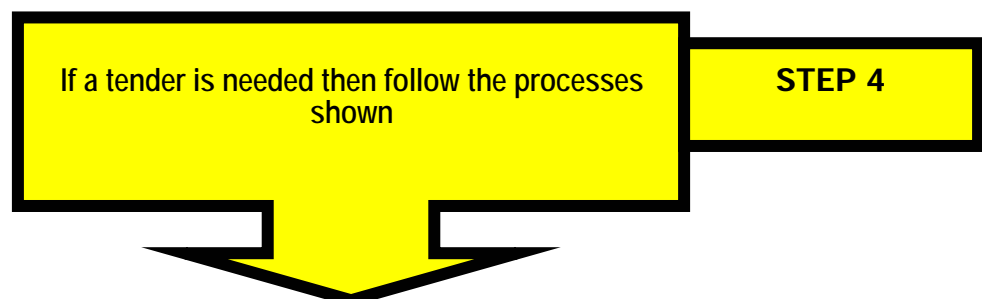
- Waivers may be requested in writing by an Officer on the appropriate form and require approval as the table in the users guide. In certain circumstances consultation may be required with Legal Services.

Standing Orders must be followed unless you have submitted and obtained a formal Waiver approval



8. SEEKING QUOTATIONS FOR GOODS AND SERVICES WITH A VALUE OF LESS THAN £25,000

- 8.1 Before you start any purchasing procedures ensure you have any necessary approvals from your Head of Service.
- 8.2 All quotations should be in writing, based on a specification and NFDC, or other approved, conditions of contract. Orders must be processed through the Agresso system.



9. TENDERS

- 9.1 If the limits for seeking quotations are exceeded then you must seek tenders. You are recommended to you to assemble a timetable and programme of event. You will also need to consider:

- (a) Whether to use an existing contract/agreement (as arranged elsewhere in the Council or by another approved body)
- (b) The need to consider sustainable development issues
- (c) Whether EU Directives apply
- (d) The type and form of contract
- (e) Sourcing potential tenderers
- (f) Duration of contract; and opportunity to review/extend
- (g) Payment schedules
- (h) How to minimise any risks with the chosen strategy, including Supplier appraisal, and evaluation / clarification of bids

10. OUTLINE MODEL TENDER PROCESS

10.1 Every tender is different, but the model Tender Framework shown below will guide you through the key processes to ensure most activities are addressed.

- 1 Prepare a business case for the procurement exercise and seek any approvals to the process from your Head of Service or Director.
- 2 Contact Audit with notification of contract and for any help with documents and standard letters.
- 3 Prepare your tender documents and liaise with Legal Services over any special Terms & Conditions that should be included in the tender documents.
 - Determine how you will evaluate the tenders, on price and quality, to select the winning tender and include this within your draft tender documents. Unless you have a very good reason, you should evaluate on both quality and price. The ratio of price to quality is left to the Service Area to determine. In determining the evaluation ratios for a specific tender, start at 50/50 and then decide if any individual aspect is more important than others and should therefore be reflected in a change to the quality/ price ratio
 - Identify the quality issues that are important to your specific tender, you may wish to consider Technical Ability, Customer Care, Management, Resources, Health & Safety, Equal Opportunities, Innovative Developments, Environmental Issues, Community Benefits (if relevant to contract)
 - Select the tender list from the Standing Approved List of pre-qualified companies which saves time and resource otherwise you will have to issue an advertisement in at least one local newspaper, asking companies to formally request the tender documents and return them by the defined date if appropriate and complete a pre-qualification

questionnaire for your assessment. CPU can advise of the advertisement content.

- 4 Inform Legal and Democratic Services of the tender return date.
- 5 Issue tender documents to companies. Allow a reasonable time for the return of tenders, at least 4 weeks is normally needed.
- 6 Arrange a date for opening the tenders with Legal and Democratic services.
- 7 After the closing date and the formal tender opening meeting, you will be given the tenders to evaluate using the processes stated in the tender documents.
- 8 If the preferred tender is the lowest cost or the most economically advantageous in line with the defined evaluation model then seek approval to accept the preferred tender from the relevant Corporate Director. **If the preferred tender is not the lowest cost or the most economically advantageous in line with the defined evaluation model then approval must be sought.**
- 9 After approval, allow sufficient time for the formal Contract completion by signing, or sealing by Legal & Democratic Services, before any goods or services are requested from the contractor.
- 10 Arrange a pre-start meeting with the successful tender and notify all unsuccessful companies of the tender award. This may involve debriefing unsuccessful tenderers as to how they scored in the evaluation process. Advise Payments to enable the successful contractor to be paid in line with the contract conditions.
- 11 Notify CPU of the tender award for inclusion within the corporate contracts register.

11. FREQUENTLY ASKED QUESTIONS

I can buy it cheaper than the corporate contract?

You may well be able to save a small amount of money but how much will it cost you to achieve that. Raising an order alone could cost in the region £40- £60 and if you need to seek quotations or even tenders it could cost hundreds of pounds in officer time alone to go through the process.

Why does the CPU have to be told about every tender?

The Council must keep a register of all contracts and unless the individual service areas notify the CPU of any tenders they award, then the register cannot be kept up to date.

In addition the Council has to publish details of all forthcoming tendering opportunities on the Council's web page as well as including all forthcoming

tenders within the Tender Notification System which has been developed to assist the local business community and the local voluntary sector.

The CPU act as the central reference point for all tenders that fall within the scope of the EC Procurement Directives. To ensure full compliance with the directives the CPU must be made aware of all tenders that require the issue of formal OJEU notices.

What standard contract documents are available?

A standard set of documents is available and include:

- Pre-Qualification Questionnaire
- Core terms and conditions
- Form of tender
- Freedom of information form
- Restrictive practices form
- Evaluation sheet

Don't just use the old one you have had for a while – things may well have changed.

What is an OJEU Contract Notice?

The EC Procurement Directives require the Council to publish a legal notice in the Official Journal of the European Union which gives specific details about the type of contract, its value, how contractors should apply etc. In addition we must also place local and national advertisements to notify Suppliers of a contract opportunity

Can I split my requirements into several orders so that they are below the threshold?

No. The OJEU directives specifically prohibit this activity. Where your total spend goes above the EC Threshold, you must advertise your requirements in OJEU. The CPU will assist in preparing the notice and will issue the notice on your behalf. Do not try to get around the process by placing small tenders, this could lead to the council being challenged over its procurement practices.

What are the consequences if I fail to advertise my requirements in OJEU or do not follow the directives properly?

There are several possible consequences including:

- Interim suspension of the award process
- The setting aside of the contract
- The award of damages

All of which will put the council at serious legal and financial risk and could result in disciplinary action being taken against individual officers.

Why use a pre- Qualification Questionnaire?

If there are lots of Suppliers you need to cut the list down to a manageable size usually between 4 and 6. A pre-qualification questionnaire asks the potential Suppliers a number of key questions about their organisation covering Finance, Equality, Health & Safety, The Environment and Quality Management. It also requests technical resources and references. With this information you can target your tender to companies who can deliver the outcomes you are looking for.

I have selected my preferred Suppliers, what do I do next?

First of all, get approval to the acceptance of the tender. Once approval has been obtained then a contract agreement between the Suppliers and the Council must be signed before any goods or services are delivered or any work commences in connection with the contract.

What do I have to send to Legal Services if the contract needs sealing?

To complete the contract sealing, Legal & Democratic Services must be given the following information:

- 2 copies of the tenderers submission
- Details of who has given authorisation to the contract being entered into
- Details of any correspondence between the tenderer and the council that will impact on the service delivery or the tender costs that are not covered in the tender documents
- A formal request to complete the contract sealing.

Goods and services subject to a tender must not be supplied until the legal contracts have been signed or sealed.

WHERE TO GET FURTHER ADVICE

Procurement Contact Officers

Name	Telephone No.	E mail Address
Malcolm Kefford	02380285090	malcolm.kefford@nfdc.gov.uk

For Legal Advice or Internal Audit advice on procurement issues contact:

Name	Telephone No.	E mail Address
Grainne O'Rourke	02380285285	grainne.o'rourke@nfdc.gov.uk
Karina Curson	02380285788	karina.curson@nfdc.gov.uk

For advice on the return of tenders contact

Name	Telephone No.	E mail Address
Adrian Randall	02380285385	adrian.randall@nfdc.gov.uk

For existing Corporate Contracts please contact:

Name	Telephone No.	E mail Address
Malcolm Kefford	02380285090	malcolm.kefford@nfdc.gov.uk

REVISIONS TO FINANCIAL REGULATIONS

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Budget Preparation

- 4.1 The Leader of the Council shall ensure preparation of detailed estimates of both income and expenditure for all services, for approval by the Cabinet, Committees and the Council

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Budget Preparation

- 4.1.1 In preparing detailed budgets for expenditure and income, the overall financial strategy and spending priorities approved by the Council must be adopted.
- 4.1.2 The Director of Resources shall determine the timetable and procedures for budget preparation.
- 4.1.3 No budgets shall be created without the consent of the Director of Resources.
- 4.1.4 Budgets may not include contingency sums for unplanned expenditure. These regulations contain enough flexibility to meet unplanned expenditure.
- 4.1.5 All Business Units should aim to recover all their costs in accordance with guidelines issued by the Director of Resources.
- 4.1.6 Budgets must identify the gross sums for each item of income and expenditure.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Budget Preparation(cont)

- 4.2 The Director of Resources shall determine financing arrangements for all approved expenditure.

Revenue Expenditure – Virement

- 4.3 Budget provision may be vired (transferred from one revenue service cost centre budget to another).
- Budget movements within a cost centre shall be termed “budget transfers” rather than virements and may be authorised by the budget responsible officer, with no limit on value. A transfer document must be completed to ensure that the Financial Information System budget position is accurate, to assist budgetary control.

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Budget Preparation(cont)

- 4.2.1 Expenditure which:
- (a) involves any leasing, hire purchase, or rental agreements, and
 - (b) may have implications for the Council under the Government’s capital expenditure controls
- may not be incurred without the Director of Resources’ approval.

Revenue Expenditure – Virement

- 4.3.1 For revenue purposes, virement shall be exercised at the lowest service cost centre level identified in the approved Policy budget. For example:-
- Cemeteries
 - Applemore Health and Leisure Centre
 - Public Conveniences
 - HRA Reactive Maintenance
- 4.3.2 Virements or budget transfers may not be made from headings for Support Services or Capital Charge. Virement from Capital Financing may only be undertaken with the prior approval of the Director of Resources, irrespective of the value.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Expenditure – Virement (cont)

- 4.4 All proposals for virement must be approved in line with the requirements outlined in 4.4.2 – 4.4.7 and notified to the Director of Resources before any expenditure is committed. The Director of Resources may veto any proposed virements.

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Expenditure – Virement (cont)

- 4.4.1 All requests for virement must be made using the proper control document, and must follow the procedures below.
- 4.4.2 **Sums up to £5,000 vired between individual service cost centres:** require the signature(s) of the budget responsible officer(s).
- 4.4.3 **Sums between £5,001 and £10,000:** require the signatures of the budget responsible officer(s) and the Director(s) responsible for the budget to/from which the virement is made.
- 4.4.4 **Sums between £10,001 and £25,000:** require the signatures of the budget responsible officer(s), Director(s) and Portfolio Holder(s)/Committee Chairma(e)n responsible for the budget to/from which the virement is made. A written report must be made to all authorisers detailing the reason(s) for the virement.
- 4.4.5 **Sums between £25,001 and £50,000:** require a written report to be approved at a Cabinet/Committee meeting.
- 4.4.6 **Sums over £50,000:** require a written report to be considered at a Cabinet/Committee meeting. Any financial recommendation(s) must be approved by the Council.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Expenditure – Virement (cont)

- 4.5 Virement must not commit the Council to increased net expenditure in future years. Particular care is required if the virement is to an employee budget.
- 4.6 Virement between revenue and capital budgets is not generally permitted. Any exceptional proposal requires the prior approval of the Director of Resources

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Expenditure – Virement (cont)

- 4.4.7 **More than one request for virement to or from the same budget in the same financial year:** sums must be aggregated to decide which of regulations 4.4.2 to 4.4.6 applies.
- 4.5.1 Virement authorisation must identify whether the virement is for one year only or is ongoing. Ongoing requests that will lead to increasing expenditure in future years on a particular budget heading must identify the budget(s) for matching reductions for future years. Otherwise the request must be considered as a supplementary estimate rather than a virement.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Expenditure - Supplementary Estimates

- 4.7 There is no authority to spend in excess of an approved budget. If this becomes necessary and a virement is not possible then a supplementary estimate must be obtained.

Any proposal for a supplementary budget must be approved in line with the requirements outlined in 4.7.2 – 4.7.6 before expenditure is committed.

The base for supplementary estimates is the lowest service cost centre level identified in the approved Policy budget. For example:-

- Cemeteries
- Applemore Health and Leisure Centre
- Public Conveniences
- HRA Reactive Maintenance

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Expenditure - Supplementary Estimates

- 4.7.1 All requests for supplementary estimates must be made using the proper control document, and must follow the procedures below.
- 4.7.2 **Supplementary estimates up to £10,000:** Must be approved by both the Director of Resources and the Director responsible for the budget heading.
- 4.7.3 **Supplementary estimates between £10,001 and £25,000:** Require the approval of the Director of Resources, the service responsible Director, the Portfolio Holder/Committee Chairman and the Finance and Support Portfolio Holder or Leader of the Council. A written report must be made to all authorisers detailing the reason(s) for the supplementary estimate.
- 4.7.4 **Supplementary estimates between £25,001 and £50,000:** Require a written report to be approved by Cabinet or Committee.
- 4.7.5 **Supplementary estimates over £50,000:** Require a written report to be considered by Cabinet or Committee. Any financial recommendations must be approved by the Council.
- 4.7.6 **More than one request for supplementary estimate for the same budget in the same financial year:** sums must be aggregated to decide which of regulations 4.7.2 to 4.7.5 applies.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

4.8	Capital Budget Preparation The Leader of the Council shall ensure preparation of detailed estimates of both income and expenditure for all services, for approval by the Cabinet, Committees and the Council.	4.8.1	Capital Budget Preparation In preparing detailed proposals for capital schemes, the overall strategy and spending priorities approved by the Council must be adopted.
4.9	The strategic objectives and priorities for capital expenditure and asset utilisation will be identified annually in the Council's Capital Strategy and Asset Management Plans.	4.9.1	The Director of Resources will determine (a) the definition of capital and revenue expenditure; and capital memorandum items, i.e. assets to be acquired under lease arrangements, (b) the timetable and procedures for capital budget preparation, and (c) de-minimis levels for capital expenditure.
		4.9.2	Each scheme bid must be supported by a business case, This must include a proper project appraisal, consideration of all options, forecast of revenue implications for each year during implementation, and for future years and, where appropriate, the incidence of expenditure.
		4.9.3	Each scheme must clearly identify proposed expenditure on land, works, fees and equipment.
4.10	The Director of Resources will determine the financial arrangements for all approved expenditure.	4.10.1	Expenditure which: (a) involves any leasing, hire purchase or rental agreements, and (b) may have implications for the Council under the Government's capital expenditure controls may not be incurred without the approval of the Director of Resources.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Capital Budget Preparation (cont)

Capital Budget Preparation (cont)

4.10.2 The availability of sources of external funding should be identified at the time the capital expenditure is proposed, together with any future financial implications for this Council.

4.11 Budget approval is given for each individual scheme.

4.11.1 Where an overall budget for maintenance and repair works, ICT, vehicles or equipment is approved, a budget will be allocated on an individual scheme basis, as proposals are identified, and this will be the basis for subsequent monitoring and reporting

Capital Expenditure - Virement

Capital Expenditure – Virement

4.12 Budgetary provision may be vired from one capital scheme to another providing the proposals achieve the Council's strategic objectives outlined in the Capital Strategy.

4.12.1 External funding and approvals which are scheme specific are not available for virement, unless prior approval has been obtained from the external funder/approver.

4.13 All proposals for virement must be approved in line with the requirements outlined in 4.13.2 – 4.13.7 and notified to the Director of Resources before any expenditure is committed. The Director of Resources may veto any proposed virements.

4.13.1 All requests for virement must be made using the proper control document, and must follow the procedures below.

4.13.2 **Sums up to £5,000:** require the signature(s) of the budget responsible officer(s).

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Capital Expenditure – Virement (cont)

Capital Expenditure – Virement (cont)

- 4.13.3 **Sums between £5,001 and £10,000:** require the signature(s) of the budget responsible officer(s) and the Director(s) responsible for the budget to/from which the virement is made.
- 4.13.4 **Sums between £10,001 and £25,000:** require the signatures of the budget responsible officer(s), Director(s) and Portfolio Holder(s)/Committee Chairma(e)n responsible for the budget to/from which the virement is made. A written report must be made to all authorisers detailing the reason(s) for the virement.
- 4.13.5 **Sums between £25,001 and £50,000:** require a written report to be approved at a Cabinet/Committee meeting.
- 4.13.6 **Sums over £50,000:** require a written report to be considered at a Cabinet/Committee meeting. Any financial recommendation(s) must be approved by the Council.
- 4.13.7 **More than one request for virement to or from the same budget in the same or in more than one financial year:** sums must be aggregated to decide which of regulations 4.13.2 to 4.13.6 applies.
-

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Capital Expenditure – Virement (cont)

- 4.14 Income received in excess of budget may not be used to fund new capital schemes or enhance existing schemes unless prior approval has been obtained or unless that additional income has been received specifically for the new scheme or to fund the enhancement.

- 4.15 Underspends on capital schemes may not be used to fund new capital schemes or enhance existing capital schemes unless prior approval has been obtained. Underspends includes schemes included in the capital programme which cannot proceed.

- 4.16 Virement from capital to revenue budgets is not generally permitted. Any exceptional proposals require the prior approval of the Director of Resources.

- 4.17 Virement must not increase net revenue expenditure in the year of virement, or commit the authority to capital or revenue expenditure in future years, unless specific authority is obtained and a supplementary revenue estimate approved.

PRACTICES, PROCEDURES AND SYSTEMS

Capital Expenditure – Virement (cont)

- 4.14.1 Any proposal to use additional income on a new capital project or to enhance an existing capital project should be regarded as giving rise to a supplementary expenditure estimate and follow the regulations for supplementary estimates set out in section 4.18.
- 4.14.2 If additional income has been received that that is specific to a new project or to enhance an existing project, the supplementary estimate process is not required, provided that there is no potential for any current or future revenue or capital expenditure commitment to this Council arising from the initial additional capital expenditure.

- 4.15.1 Any proposals to use underspends on a new capital project or to enhance an existing capital project should be regarded as giving rise to a supplementary expenditure estimate and follow the regulations for supplementary estimates set out in section 4.18

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Capital Expenditure - Supplementary Estimates

- 4.18 There is no authority to spend in excess of an approved budget. Should this become necessary and virement is not possible then a supplementary estimate must be obtained.

Any proposal for a supplementary budget must be approved in line with the regulations outlined in 4.18.2 – 4.18.6 before expenditure is committed.

PRACTICES, PROCEDURES AND SYSTEMS

Capital Expenditure - Supplementary Estimates

- 4.18.1 All requests for supplementary estimates must be made using the proper control document, and must follow the procedures below.
- 4.18.2 **Supplementary estimates up to £10,000:** Must be approved by both the Director of Resources and the Director responsible for the budget heading.
- 4.18.3 **Supplementary estimates between £10,001 and £25,000:** Require the approval of the Director of Resources, the service responsible Director, the Portfolio Holder/Committee Chairman and the Finance and Support Portfolio Holder or Leader of the Council. A written report must be made to all authorisers detailing the reason(s) for the supplementary estimate.
- 4.18.4 **Supplementary estimates between £25,001 and £50,000:** Require a written report to be approved by Cabinet or Committee.
- 4.18.5 **Supplementary estimates over £50,000:** Require a written report to be considered at a Cabinet or Committee meeting. Any financial recommendations must be approved by the Council.
- 4.18.6 **More than one request for supplementary estimate for the same budget in the same or in more than one financial year:** sums must be aggregated to decide which of regulations 4.18.2 to 4.18.5 applies.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Budgetary Control/Reporting

Budgetary Control/Reporting

4.19 Expenditure may only be committed from a budget for the purpose for which it was approved.

4.19.1 Budget responsible officers and Directors will:

- (a) monitor actual performance on each budget regularly; and
- (b) take appropriate steps to ensure budgets are not overspent.

4.20 The Director of Resources will report regularly to the Corporate Management Team, Portfolio Holders/Committee Chairmen, Shadow Portfolio Holders/Committee Chairmen and the Cabinet, on overall financial performance, predicted gross capital expenditure and net revenue expenditure for the current financial year.

4.20.1 Directors will provide data or supporting information for all budgetary control reports.

4.20.2 Directors will identify opportunities for savings and additional income and shall ensure these are included promptly in the appropriate monitoring reports and estimates.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Budgetary Control/Reporting(cont)

Budgetary Control/Reporting(cont)

- 4.20.3 Directors will identify, at the earliest opportunity, potential expenditure for which there is no budget provision. They shall also identify proposed sources of finance for meeting additional expenditure, either by virement or supplementary estimate (regulations 4.4 to 4.18).
- 4.20.4 Budget responsible officers are responsible for carrying out budgetary control and for informing Directors of any potential budget variations at the earliest opportunity, in order to allow Directors to fulfil their obligations
- 4.20.5 The Director of Resources' financial monitoring report will identify all budget virements and supplementary estimates. However, separate reports, which may be attached as appendices to the monitoring report, must be produced by service officers for all items in excess of £25,000.
- 4.20.6 Where reports are required for sums of £25,000 or less this may be covered by email communication but budget authorisation can only be achieved by completing the proper control document.
- 4.20.7 Any budget changes which impact on the employee establishment must also be notified by the Budget Responsible Officer to the Human Resources Section to ensure that the HR system is updated.
- 4.20.8 In circumstances where the regulations in section 4 cannot be complied with, for instance where expenditure needs to be incurred before Cabinet or Council approval is obtained, regulation 2.4 should be applied.
-

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Budgetary Control/Reporting(cont)

- 4.21 Unspent revenue budgetary provision may not be carried forward between financial years, unless regulation 4.21.1 has been applied.
- 4.22 Exceptionally, capital schemes may be moved between financial years. This is termed “rephasing” and is subject to the approval of the Director of Resources.

The inclusion of capital items in the expenditure plans outside of the current financial year is an intention to spend only. Budget provision does not exist for those items, other than when it relates to a scheme already committed to in the current year’s budget.

PRACTICES, PROCEDURES AND SYSTEMS

Budgetary Control/Reporting(cont)

- 4.21.1 The Director of Resources may approve earmarking of funds to meet approved expenditure in the following financial year, subject to a written request by the Chief Executive or Director.
- 4.22.1 Any proposals to rephase a capital scheme or part of a capital scheme from the current financial year to a future financial year must be included in the regular financial monitoring reports presented to Cabinet. If there are any adverse financial consequences of such proposals a separate report detailing reasons for the rephasing and the consequences must also be presented. The Director of Resources will consider the financial position of the relevant budget and strategic targets for the financial year before deciding whether to support the recommendation.
- 4.22.2 Any proposal to bring forward new scheme expenditure from future years to the current financial year should be considered as a supplementary estimate and follow the regulations set out in section 4.18.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Use of Provisions and Reserves

- 4.23 Provisions and earmarked reserves may only be used for the purpose for which they were originally approved.

PRACTICES, PROCEDURES AND SYSTEMS

Use of Provisions and Reserves

- 4.23.1 The Director of Resources must approve all proposals before expenditure is incurred.

PROJECT MANAGEMENT GUIDE

INTRODUCTION

In order to be successful, managers must deliver results on time and within budget. Although much of the Council's resources are consumed undertaking day to day routine activities we all underestimate the amount of work where the principles of project management apply. The purpose of this guide is therefore to ensure that both officers and members of the Council have the necessary advice and guidance to ensure the successful implementation of well managed projects. Improved project management skills will lead to better utilization of resources, more timely implementation of schemes and improved value for money for the taxpayer and our customers.

Projects vary in size, scale of impact and complexity. This guide, and supporting information, should be used in context what is appropriate for the scale of the project. You should not be afraid to exclude elements of this framework if they are not applicable to the project that you are embarking on. Do not follow the guide slavishly use it as you think is appropriate.

What is a Project?

A project is a set of co-ordinated activities, with clear start and end points and a sequence of activities in between, undertaken by an individual or team to meet specific objectives within a defined timeframe.

The activities need not be complex and you may be involved in a project without even realizing it. Routine work however is usually on-going, repetitive and process-oriented.
What is Project Management?

Key features that define a project	
Features	Points of note
Start and End Dates <i>All projects have start up and close down stages.</i>	<i>Some projects are repeated but, because they have clear start and end points, they are not processes.</i>
Project Plan <i>A planned, methodical approach is used to meet the project objectives.</i>	<i>Good planning facilitates completion of project on time and in budget Good planning ensures that effective monitoring and resource allocation takes place.</i>
Resources <i>Projects need to be allocated time, people and money commensurate with the needs of the project.</i>	<i>All projects need resources be they internal or external. Operating with the agreed resources is essential, as is having access to them.</i>
Teamwork <i>Projects will nearly always involve a team of people.</i>	<i>The Team must take responsibility for delivering the project outcomes. Projects should be seen as an opportunity for the team members.</i>
Goals <i>Successful projects bring successful change</i>	<i>Projects often deliver new ways of working. Clear goals and objectives need to be set at the outset of the project</i>

What is project management?

Project management is about initiating change efficiently, on time and within budget. The organization will feel more in control of delivering projects efficiently and effectively and by using tried and tested methods will receive early warning signals of potential problems. Project management techniques will ensure that the Council services do not operate within vacuums as it encourages and promotes knowledge sharing and cross-authority working.

Project management is much more than the tasks carried out by the project manager. It is a combination of the roles and responsibilities of all individuals assigned to the project, the organizational structure that sets out clear reporting arrangements and the set of processes to deliver the required outcome. Project management should ensure that everyone involved in the project knows what is expected of them and should help to ensure that costs, time and risk are managed as effectively as possible.

Why do we need a project management guide?

Project management has been undertaken for centuries and many think it is purely a matter of common sense. If this was the case why have so many problems been encountered? Why do we not learn from those mistakes?

Project management failures/problems are largely caused by

- Poor project definition by the project owner, possibly due to insufficient consultation with stakeholders or lack of clarity over their requirements
- Lack of ownership and personal accountability by senior management
- Inadequately skilled and experienced project personnel
- Inadequate reporting arrangements and decision making
- Inconsistent understanding of required project activities roles and responsibilities

Why do these problems occur? The answer is largely due to the fact that, by and large, we don't think about the process, we don't document it, we don't structure it effectively, and we don't use experience to facilitate the evolution of the framework. Those officers who are leading a project, irrespective of size or impact, for the first time should not be left to start from a blank sheet of paper. The Council has much experience in this field and should use this knowledge to ensure where mistakes or lessons have been learned in the past they are put to good use to ensure they are not repeated. As a 'learning organisation' we must make best use of this knowledge.

The purpose of this guide therefore is to use the knowledge and experience within the Council to ensure the Council manages its projects effectively and efficiently in the future.

Factors that will ensure successful project delivery

- Well defined scope and agreed understanding of intended outcome
- Active management of risks, issues and timely decision-making supported by clear and short lines of reporting
- On-going commitment and support from senior management and politicians
- A senior individual with personal accountability and overall responsibility for the successful outcomes of the project
- An appropriately trained and experienced project team whose capabilities match the complexity of the project
- Adequate up-front planning and allocation of the right level of resources
- Appropriate level of customer involvement
- Communication that ensures everyone involved in the project is fully informed

Key roles within a project team

Projects can involve a wide range of people, skills and backgrounds. There are however a number of key roles that apply to all projects irrespective of size and complexity.

Key Roles and Responsibilities	
Key Player	Responsibilities
<p>Investment Decision Maker/Senior responsible Owner <i>Whether these roles are combined will depend on the nature and complexity of the project. This is likely to be a Cabinet Member or Director and is responsible for taking decisions on affordability and cost justification.</i></p>	<ul style="list-style-type: none"> • Ensures that the project is appropriately resourced • Defines the scope and expected outcomes of the project • For smaller projects this role could be performed by a more junior manager but must still have the status and authority to provide the necessary leadership to the project • Ultimate accountability for delivering the project rests with this person.
<p>Sponsor <i>This role interfaces between ownership and delivery and is required to provide the on-going management on behalf of the owner to ensure that the desired outcomes are achieved</i></p>	<ul style="list-style-type: none"> • Helps in the setting of objectives and potential constraints • Acts as an inspirational figurehead to the team • Will provide knowledge, experience and information about the business to ensure informed decisions are taken • May provide personal resources •

<p>Project Manager <i>Responsible for achieving the project's overall objectives and leading the project team on a day to day basis – for smaller projects this role can be combined with that of the project sponsor</i></p>	<ul style="list-style-type: none"> • Produces a detailed plan of action • Motivates and develops the team • Communicates project information to stakeholder and other interested parties • Monitors progress to ensure project keeps to the timetable
<p>Stakeholders <i>Any other party who is interested in, or affected by, the outcome of the project. These can be internal or external to the organisation.</i></p>	<ul style="list-style-type: none"> • Contributes to various stages of the planning process by providing feedback • May not be regularly involved • Could be involved in the setting of the objectives of the project
<p>Team Member <i>Full or part time person who has actions to carry out in the project plan. One member of the team may be identified as a 'key member' due to the expertise or knowledge that they have of the issue</i></p>	<ul style="list-style-type: none"> • Takes responsibility for completing activities as set out in the project plan • Fulfils a specialist role if involved as a consultant or as an individual who is only needed for certain elements of the project • A key member may have additional responsibilities for the completion of certain elements of the project.

Project Boards

For larger, or more complex, projects it may be appropriate to establish a project board which would be chaired by the Senior Responsible Officer or occasionally the Investment Decision Maker if these roles are not combined. Membership of the board, which should be formalized in writing, should be a single role representing key stakeholder interests or technical/supply issues. The project board provides the owner with stakeholder/technical input to decisions affecting the project.

The SRO is responsible for providing approvals and decisions affecting progress and delivery throughout the project. To fulfill these duties the SRO will call upon project board members who have been appointed to support the SRO in setting of the project brief and thereafter assist in the delivery of the agreed outcomes.

The project board should be chaired by the SRO who takes executive responsibility for decisions relating to the project. Its membership should include a single individual who represents those senior managers who have an interest in the project and whose activities will be affected by the project. Sometimes it might be appropriate to include representatives of suppliers on to the board to add to the expertise of the group. It could be appropriate for the board to seek expert opinion on various aspects of the project ie technical specialists, corporate management team, legal/HR etc.

The Project Board is responsible for

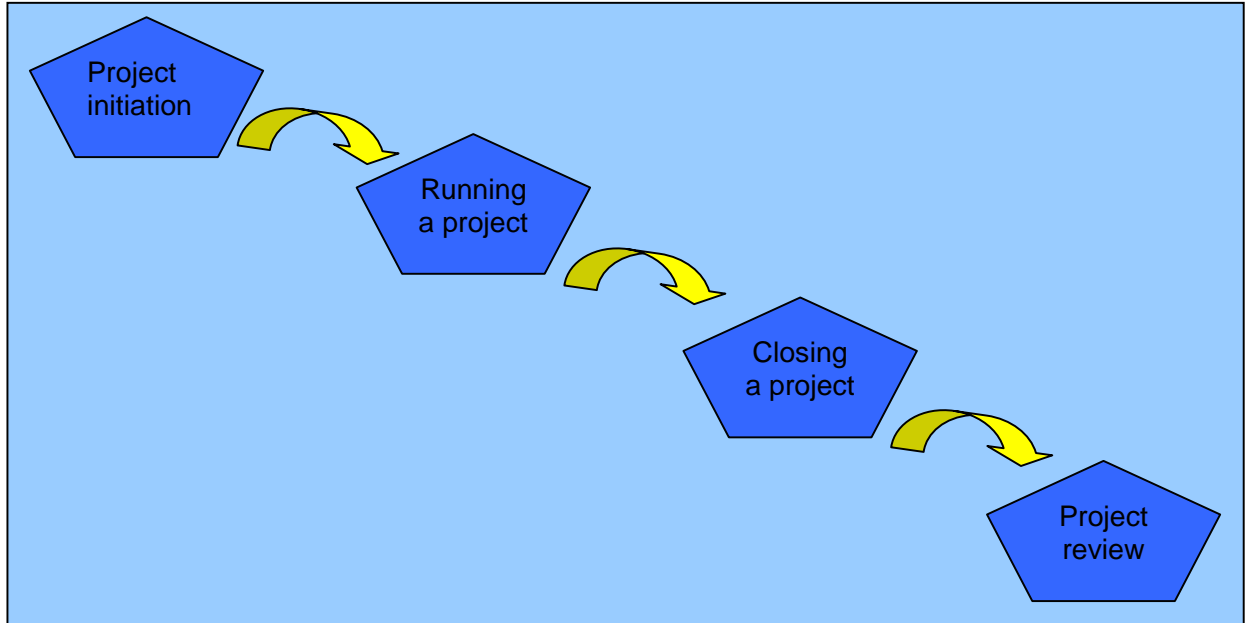
- Appointing the project sponsor and project manager where the 2 roles are combined
- Signing off the project brief and project initiation document
- Agreeing all major plans
- Authorising any major changes
- Signing off the completion of each stage
- Communicating information about the project to the organization and stakeholders
- Ensuring that the required resources are available
- Resolving any conflicts escalated by the project team, client or supplier
- Provision of strategic guidance for the project
- All risks associated with the project
- Quality assurance of the project
- Provision of advice and guidance to the project sponsor
- Approving the end project report and ensuring the post implementation review is undertaken

Depending on the nature of the project there may be one or numerous project teams appointed by the board to undertake and deliver the requirements that have been set out in the project brief.

A small project is likely to be stand-alone. There may be no corporate or programme management involvement with the project. In this case the sponsor becomes the executive (ie in lieu of a board) and would appoint the project manager personally.

THE PROJECT MANAGEMENT PROCESS

There are numerous guides and advice available that set out best practice as it relates to project management. Although this guidance may vary in terms of the classification and disaggregation of the individuals steps in the process project management can be summarized into the following stages:-



PROJECT INITIATION

Before commencing on any project, whether a large complex scheme or a simple system review, it is important to obtain commitment from the organization to the project. In order to ensure that this commitment is gained it is important that robust up-front thinking is undertaken commensurate with the size and complexity of the project. Commitment can only be gained if it is clear what the objectives and benefits of the project will be and what resources the project will consume. The organization can then only judge whether the project can demonstrate that added value will be achieved.

There are a number of key documents that form the foundation of this process:-

Business Case

Project Brief

Project Initiation Document

Business Case

The purpose of the business case is to obtain organisational commitment and approval for the investment in the business change through the rationale for the investment.

The business case provides a framework for planning and management of the business change.

The on-going viability of the project will be monitored against the business case.

All projects that require the consumption of 'additional' resources should have a business case in order to justify the Council's investment in that project against the benefits it will receive. How detailed the business case is will be dependant upon the size and complexity of the project. It is important to note that not all benefits can be evaluated in financial terms but every effort should be made to identify all benefits that may accrue.

Most items involving the use of resources will form part of the budget setting process and therefore the expenditure planning framework provides the appropriate vehicle for developing the business case.

The business case should contain information regarding a number of key issues: how the project links to corporate objectives, alternative options, commercial considerations, affordability, and achievability.

For larger projects the business case should be developed in three stages:-

Preliminary – confirming strategic fit and business need (short and to the point)

Outline – indicative assumptions to support the preferred way forward. The size of this document will depend upon the size and scale of the project but the expenditure plan requirements are a fair guide of what is required.

Full – this will be required for larger projects and will contain validated assumptions to support the investment decision.

Project Brief

The purpose of this document is to ensure that the project has a sound foundation before the project commences. A poorly planned project, whatever the scale, is significantly more likely to fail without appropriate up-front thinking.

If approval is given to proceed to project initiation the brief will form the basis of the project initiation document (PID).

For construction projects, the project brief is a formal statement of the objectives and functional operational requirements of the finished project. It should be sufficient in detail to enable the construction team to execute the detailed design and specification of the work and is therefore an essential reference point for the construction team.

The project brief is a key document in its own right. It will however form the basis of the PID which gives greater detail of the direction and scope of the project and sets out clearly the expectations of the project team by line managers. Any significant change to the content of the project brief will therefore need to be agreed to those who are responsible for agreeing those decisions.

Key questions

Does the brief accurately set out the scope and outcomes that are expected from the project?
Does it give enough information and clarity from which the project team can operate?
Does it indicate how stakeholders will be involved in project 'sign off'.

Suggested content

Background information

Project definition

- Objectives
- Scope
- Desired outcomes
- Exclusions
- Constraints
- Interfaces/Communications

Outline business case

- How the project supports the Council/Service deliver its objectives
- Rationale this approach

Stakeholder expectations

Risk Assessment

Project acceptance criteria

Project Initiation Document (PID)

The PID defines all major aspects of the project and forms the detailed basis of how the project is to be managed to ensure the overall success of the project.

The two primary uses of the document are to ensure that the project has a complete and sound basis before there is any major commitment to the project and to act as a base document against which the project can assess progress, any necessary change to the programme/objectives etc, and to facilitate the on-going viability assessment of the project.

Key questions

Does the document accurately reflect the project?

Is the project organisation clear and complete?

Have all the roles been considered?

Does the PID clearly show:

- Control mechanisms

- Reporting mechanisms

- Timetables

- Expected outcomes

- Resource availability

- Risk assessment

- Project Importance

Are the relationships and responsibility lines clear?

Do the project controls cover the needs of the Board, Project Manager, and Team Managers?

Is it clear who will administer each control?

PID Content

Aims of the project

Personnel involved and their respective responsibilities

How and when will the project be undertaken

Background to the project

- Context

- Why the project needs to be undertaken

- Aims and objectives

Project definition

- Project objectives

- Defined methods of approach

- Scope of the project

- Desired outcomes

- Exclusions

- Constraints

- Interfaces

- Assumptions

- Resource availability

Project organisation structure

- Who

- Respective responsibilities

- Structure chart and JD's (only for larger projects)

Communication plan (how will stakeholders be kept involved)

Business case

Initial project plan

Risk register or risk assessment dependant upon size or complexity of the project

Further guidance and examples of best practice can be found on the following subjects in the detailed project management guide:-

General

Roles and responsibilities
Reporting structures
Standing Orders
Financial Regulations
Expenditure Planning

Project Generation

Project Initiation
Feasibility Studies
Resourcing
Timescales
Cost Benefit Analysis

Project Justification

Key Outcomes
Options Appraisal
Risk Assessment
Financial Implications
Human Resources
Timescales
Cost Benefit Analysis (detailed)

IMPLEMENTING THE PLAN

To successfully implement a project plan it is important to fully understand what is involved from the outset. Therefore the Team should always familiarize themselves with the key tasks that they are expected to complete, and understand their responsibilities and the skills that may be required for them to achieve the appropriate outcomes.

- Select final team members
- Launch the project successfully
- Motivate and focus team on objectives
- Organise information systems
- Communicate key information

Stage Planning

The complexity, sensitivity, and community impact of the project will determine whether the implementation phase of the project is carried out as one process or whether it is broken down into two or more stages. By disaggregating the project into smaller stages will help ensure that the appropriate levels of management control are applied to the individual stages.

A stage plan contains the level of detail required for controlling the project day-to-day by the project manager. Each stage of the project should have a stage plan which is produced as the current stage of the plan reaches a conclusion.

Why plan in stages?

How can I make sure I stay in control?

How can I limit the risks?

How can I stop it if it goes wrong?

Too much time planning

Too far ahead

Too many unknowns

Too much guesswork

Project Board

Project Manager

Stage completions

Each stage ends with a decision point – should the project continue or not?

Whilst it is an obvious question many projects consume resources unnecessarily because that basic question was not asked at an appropriate point.

This decision needs to consider the progress made to date and whether the project outcomes still align with those that were set out in the business case. It needs to consider whether the risks associated with the project are under control and being managed and whether the business case itself is still a viable proposition.

Controls

Control reports should be produced by the project manager to the project board or the SRO to ensure that decisions are taken regarding the future of the project based on facts. Exception reports should be produced that identify deviations from the plan and define tolerances within which these do not need to be referred back to senior management or politicians. The use of an issues log will facilitate this process and ensure that all project issues have been considered and actions registered.

Reports should include progress against the plan, product quality issues and seeking acceptance of the completed product(s)

Reporting Against Plans

Even the best laid plans can go awry. It is therefore important to have early warning systems in place to enable early decisions to be taken. This will limit risk exposure and potential wasted resources.

Planning and controlling each stage as well as managing project delivery are key project management processes that are supported by project plans. Reporting outcomes against the projected plan is therefore a vital tool in successful delivery. Monitoring and control activities need to be in place to ensure that each stage stays on course and responds to unexpected events.

Effective monitoring allows you to gather information in order that you can measure and adjust progress towards the project's goals. It enables you to communicate project progress and provides justification for making necessary adjustments to the plan. It also enables you to measure current progress against what was set out in the original plan.

The Monitoring Process
Team members prepare progress reports
Project manager summarises for sponsor and stakeholders
Items for discussion are listed on regular review meeting agenda
Regular review meeting is held to resolve issues and assess progress
Periodic meetings are held to monitor milestones
Plans are updated if necessary to keep project on track and obtain additional resources/change in objectives

Risk and incident management

Risk management is an on-going activity throughout the project and will involve all members of the project team. Risk activities include planning and implementing the required resources to carry out selected actions to deal with the risks. Once in place actions will require monitoring and reporting to ensure the risk management activities are having the desired effect.

Managing Communication

Internal and external communication networks must be in place to deal with stakeholder relationships. Key issues for communication with stakeholders will be risk management issues and project updates.

It is important to recognise that the customer and the supplier will probably come from separate areas and typically will be from different organisations.

Further guidance and examples of best practice can be found on the following subjects within the detailed project management guide:-

Project Planning

**Feasibility Study
Options Appraisal
Outline Brief
Outline Specification
Consultation
Timescales
Resource Analysis
Contract Value
Contract Package
Project Management Structure
Expenditure Planning Process**

Project Implementation

**Procurement Route
Contract
Detailed Brief and Specification
Outline Design
Detailed Budget Projection
Project Programme
Health and Safety
Risk Assessment
Statutory Requirements**

Tender Process

**Standing Orders
Financial Regulations
Specialist Work
Timetable
Technical and Financial Appraisals
Design (development)
Tender Evaluation
Best Value Review
Contractor Negotiations
Award of Contract**

CLOSURE AND REVIEW

These final two stages of a project can be seen as separate processes but for the purposes of this guide have been amalgamated.

It is as important to close a project in a controlled manner and to secure 'sign off' as it is to plan properly for the project. As a project draws to a close it is important to evaluate exactly what has been achieved and what can be learned for the next time. The project needs to go through a formal close-down process that ties up all loose ends and marks its success.

Inevitably towards the end of a project some team members will start to move to new assignments. It is important to keep remaining team members focused on final objectives until the project is fully complete. Ensure you retain the appropriate level of resources for the outstanding work as demands are made by the rest of the organisation for new work, or the day job, to become the new priority. It is also important for the organisation to learn as much as possible from the exercise and to ensure that the outcomes of the project are properly and fully delivered.

Key Questions

Is the sponsor satisfied that the original aims and business objectives of the project have been met?

Is the customer satisfied that he or she is receiving an improved service/product?

Have all stakeholders been consulted on the final outcomes of the project?

Have all the contributors to the project been thanked?

Have all the ideas and innovation been recorded?

Purpose of closure procedure

- Checks that all required products have been delivered and accepted
- Ensures that all project issues have been dealt with
- Records any recommendations for subsequent action
- Passes on useful lessons learned during the project
- Recommends closure of the project
- Plans how success against the business case objectives

Every project should have a controlled completion. In order that success can be measured the project manager must have the ability to bring the project to a close when he or she believes it has achieved the objectives set out in the Project Initiation Document.

A controlled completion should include:-

Decommissioning the project

- This requires agreement from the customer that the acceptance criteria has been met
- It confirms acceptance of the project's products and post project maintenance
- Checks that all project issues that have been identified are closed

The responsibility for decommissioning the project rests with the project manager and the rest of the project team who have not been reassigned to other duties. The process may be shortened if the project board brings the project to a premature close. If this is the case there will need to be a carefully managed handover of the products between the project and operational staff. If any acceptance criteria has not been fully met, the customer and supplier may agree to record this as a project issue to be dealt with at a later point.

The final product may be handed over to a new third party to operate and maintain and there may be contractual arrangements involved in the acceptance of the product.

For smaller projects the release of resources allocated to the project may be very informal and possibly not required at all.

Follow on actions

The purpose of this process is to identify any work that needs to be done following the completion of the project and to prepare a plan for when the realisation of the project's expected benefits should be evaluated.

The follow-on action recommendations set out any elements of the project that have not been implemented. This will include items that the Board have decided not to implement during project implementation, any project elements that have not been handed over, or any areas where further action has still to be completed.

To do list:-

- **Check for omissions in the product against what was included within the PID or suggestions on how to improve the product**
- **Ensure these are logged**
- **Ensure that all Project Issues have been completed satisfactorily**
- **Check risk issues for any risks that may affect the product in its operational life**
- **Draw up follow-on action recommendations**
- **Identify when measurement can be made of whether the product has delivered its intended benefits**
- **Prepare a plan to carry out that measurement**

Project Evaluation Review

Organisations should always learn from past experiences and ensure that they improve their procedures and approach in light of those experiences. The Project Management Board therefore need to assess the performance of the project and the role the project manager has played in this performance. This process may also form part of the customer's appraisal of a supplier.

What should the process achieve?

- Assess the project's results against its objectives
- Provide statistics on the performance of the project
- Record lessons that have been learned

Further guidance and examples of best practice can be found on the following subjects in the detailed project management guide:-

Project Monitoring

***Works
Budgets***

Evaluation and Review

***Reporting
Success Measurement***

Glossary of Terms