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6.0 PURCHASING

6.1 Introduction

6.1.1 This chapter should be read in conjunction with:

- i. **The LMS Contract Procedure Rules**
- ii. **Procurement Guide for Schools**

It is recommended that schools download both documents and file them in this chapter.

6.1.2 The LMS Scheme requires schools to abide by the LMS Contract Procedure Rules on purchasing, tendering and other contracting matters. These rules are set by the Local Authority on the advice of the Corporate Director – Strategic Resources and the Corporate Director – Children’s Services in line with the County Council’s Contract Procedure Rules. This is the key document for schools and is reviewed and updated annually to ensure that the information available to schools is current and as up to date as possible. The LMS Contract Procedure Rules are held as an appendix to the LMS Scheme (see Chapter 2: LMS Scheme).

6.1.3 The Procurement Guide for Schools addresses the specific types of procurement issues encountered by schools. The guidance within should always abide by and reflect the LMS Contract Procedure Rules. This guidance can be found at:

<http://cyps.northyorks.gov.uk/index.aspx?articleid=18459>

6.1.4 This chapter is not intended to be read as a substitute for these two documents. It should be seen as supplementary to them both.

6.1.5 The key contact for procurement advice within Children and Young People’s Service is the Procurement Champion, Rachel Woodward.

6.1.6 The North Yorkshire Procurement Service is a Traded Service to Schools. Further information can be found at:

<http://cyps.northyorks.gov.uk/index.aspx?articleid=18459>

6.2 General Purchasing Points

6.2.1 Good purchasing is about obtaining materials of the **right quality**, in the **right quantity** at the **right time** at the **right price** from the **right source**.

6.2.2 Chapter 2 of the Procurement Guide for Schools outlines the general principles of procuring goods and services.

6.2.3 The **objectives** whenever making a purchase should be to:-

- i. Obtain supplies and services that are fit for the purposes you require them to address and which demonstrate the best value for money over their lifetime;
- ii. Maintain (where necessary) continuity of supply;
- iii. Minimise investment in stock consistent with safety and economic advantage;
- iv. Avoid waste and obsolescence; and
- v. Maintain standards of quality based on suitability for use.

6.2.4 The **purchasing decision** depends on:

- i. Demand (i.e. Quantity) and frequency of demand (whether a regular or one-off supply);
- ii. Size or value of order;

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- iii. Availability of product (is product a proprietary article with only one source of supply);
- iv. Budget available;
- v. Storage facilities (capacity and security);
- vi. Market conditions (e.g. price stability, competition from alternative sources);
- vii. Storage life of product; and
- viii. **The LMS Contract Procedure Rules.**

6.3 General Points on Selecting Suppliers

- 6.3.1 Schools should first investigate whether or not there is a **recommended supplier** or **centrally negotiated contract** for the particular goods or services required. If a suitable central arrangement is available schools can then avoid the costs associated with a procurement exercise as the County Council will already have undertaken the necessary procedures in accordance with its own Procedure Rules. Schools should be aware that if there is more than one supplier/contract, they are likely to be in direct competition with each other. Schools are advised to compare carefully before making a purchasing decision. Similarly, any purchases made from Schools' ICT Services need not be subject to a competitive quotation / tender exercise.
- 6.3.2 Chapter 3 and Chapter 4 (section 13: Sourcing Suppliers) of the Procurement Guide for Schools provides additional advice on this.
- 6.3.3 Undertaking a **supplier appraisal** is recommended when considering using a new supplier. As this can be time consuming, it should reflect the relative value of the purchase being planned. Small value items purchased irregularly may require little supplier appraisal whilst a large "one-off" purchase, or a regularly ordered item, will probably warrant the effort if value for money and satisfaction with the goods is to be achieved. Maintaining a small core of suppliers will also keep purchasing costs to a minimum, subject to monitoring of their competitiveness.
- 6.3.4 Appraisal looks at the suitability of the supplier to receive a tender by assessing the technical, experiential and financial aspects of the supplier. The evaluation of the bid is about establishing the supplier's ability to meet the contract standards on delivery times, quality of goods or services, price and after sales service. This clearly pre-supposes that the school knows what it wants, i.e. it has a specification drawn up.
- 6.3.5 Given the size of the County Council, it is likely that a supplier under consideration by a school has been used before. Further advice can be sought of the Children and Young people's Service Procurement Champion.
- 6.3.6 The LMS Contract Procedure Rules (8.6 and 9.2) require that the criteria used to evaluate a quote/tender must be agreed in advance of the quote/tender documents being issued to suppliers. It is good practice to lodge these criteria with a Third Party not involved in the procurement exercise should a challenge be lodged at a future date so that they can confirm that the criteria has not been altered during the process.

Potential evaluation criteria may include:-

- i. consultation with Children & Young People's Finance;
- ii. questionnaires to suppliers/include questions in the quality part of the specification;
- iii. obtaining references from major customers, particularly other schools;
- iv. visiting the supplier's premises; and

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v. inspection of samples.

6.3.7 Compliance with legislation and standards are detailed under section 2 of the LMS Contract Procedure Rules.

6.4 Leases and Rentals

6.4.1 Any lease agreement should be subject to consultation with the Corporate Director – Strategic Resources.

6.4.2 There are two types of leases: operating and financing.

6.4.3 Finance leases are not permitted by the DfE as schools are not allowed to borrow.

6.4.4 Schools are permitted to enter into operating leases. At the end of an operating lease period, the goods are not owned by the school. The danger with operating leases is such that the terms and conditions can be quite onerous. It is therefore a requirement that schools advise the Corporate Director who will then arrange for the terms and conditions to be reviewed by colleagues in Legal.

6.4.5 Photocopying leases are part of a countywide arrangement and do not pose any significant pitfalls for schools. If a school is considering a lease with a supplier outside of the Council's contract they are advised to consult the Corporate Director.

6.4.6 ICT leases are not recommended. New technology is ever changing and leasing arrangements are inflexible if a school wishes to change its provision during the lifetime of the lease. Schools are recommended to contact Schools ICT with regard to any purchasing queries.

6.4.7 As with any leasing arrangement, schools should note the following general points:-

- (i) there must be funds available to meet the payments throughout the term of the agreement;
- (ii) the agreement may well require the school to carry additional insurance to cover the full replacement cost of the asset;
- (iii) the agreement may require the asset to be serviced by the supplier or a third party to a level higher (and thus higher cost) than that the school would choose for itself;
- (iv) the full cost of the payments over the term of the agreement may be considerable, even allowing for initial savings in cash-flow.

6.4.8 LMS Contract Procedure Rule 5 details leasing agreements.

6.5 Barclaycard Purchasing Card

6.5.1 A North Yorkshire County Council purchase card is a credit card that allows for the purchase of goods or services with payment being made immediately. When using a purchase card there is no need for an official order or the completion of a coding block to arrange payment. Payment will be taken automatically by direct debit from the School's bank account.

6.5.2 Guidance for schools on the Barclaycard purchasing card can be found at:

<http://cyps.northyorks.gov.uk/index.aspx?articleid=20566>

6.6 Templates for Use

6.6.1 Appendix A – Schedule of Quotations

Appendix B – Schedule of Tenders

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6.7 Guidance on the Purchase of ICT Equipment

6.7.1 The County Council has produced separate guidance on this area which can be found at Appendix C.

School

Schedule of Quotations

Goods or Services

Required for

Quotations due Budget Provision

<i>Supplier</i>	<i>Rate (where applicable)</i>	<i>Amount of Quote</i>	
		£	p

Quotations Opened by and

on..... (date and time)

Evaluation Methodology i.e. Lowest Price or MEA

Quotation Accepted on (date)

Order No. Authorised by

Reasons for Accepting Quotation other than the Lowest or MEA

.....

.....

.....

.....

Approved (Headteacher)

Reported to the Governors on (date)

School

Schedule of Tenders

Goods or Services

Required for

Tenders due..... Budget Provision

<i>Supplier</i>	<i>Rate (where applicable)</i>	<i>Amount of Tender</i>	
		£	p

Tender Opened by..... (Governor) and

on..... (date and time)

Evaluation Methodology i.e. Lowest Price or MEA

Tender Accepted on (date)

Order No. Authorised by

Reasons for recommending a tender other than the Lowest or MEA

.....

Approved by Governing Body on (date)

NORTH YORKSHIRE COUNTY COUNCIL

GUIDANCE FOR SCHOOLS ON THE PURCHASE OF ICT EQUIPMENT

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THE PURCHASE OF ICT EQUIPMENT

The key elements of a successful purchase of ICT equipment are the following:

1. Specification

Any purchase must be linked to a detailed specification. Where possible the specification should be set out in outputs, i.e. the standard of performance required from a computer, rather than inputs such as a computer of a particular make and/or size.

The specification required will vary as to whether the purchase involves:-

- individual computers
- software
- a network of computers
- an ICT suite.

In all cases, the Quality & Improvement Service are in a position to give advice on solutions which best address curriculum issues and Schools ICT Services (SICTS) can give advice on the best technical solutions.

Where ancillary works are required, such as cabling, benching etc, contractors should hold £5m public liability cover and a valid CIS registration card or certificate.

It is also appropriate to include in the specification a requirement that contractors comply with the Electromagnetic Compatibility Regulations 2005.

2. Methods of Procurement

The LA's requirements for tenders and quotations can be found in **LMS Contract Procedure Rules**, (School Finance Manual, Chapter 2: LMS Scheme – Annex F).

The key choice is between:

- i. Quotations (if overall purchase price of less than £50,000)
- ii. Tenders (if overall purchase price is more than £50,000)

As the Rules set out there are detailed requirements to follow but the key difference is that a school can select who is given the opportunity to submit quotes whereas a general advertisement in a newspaper and a "trade journal" is needed as the first stage of a tender process.

It will be noted in paragraph 8.2 there is an exception to the quotation Rules as follows:- "Exceptionally, in the case of the purchase of ICT equipment, schools may obtain quotations electronically by E-mail, provided that their systems comply with guidance issued by the Corporate Director – Strategic Resources." Note that where a proposed purchase exceeds £50,000 the full tender procedure **must** be followed.

The guidance on the receipt of quotations electronically is included at Annex 1.

This has been included in the Rules following representations made by schools that the requirements of quotations are unduly prescriptive in the case of ICT equipment. In particular, it has been cited that suppliers are unwilling to submit written quotations when they have transactional websites and there are frequently cases where prices change significantly on a day by day basis.

3. Purchase of Computers

SICTS have already carried out a major tender exercise for a wide range of computer equipment. Consequently, schools can purchase directly from the SICTS without the need for their own tender or quotation exercise, although schools are recommended to seek more than one quote as outlined in the Purchasing chapter of the Schools Finance Manual.

4. Fair Competition

Fair competition is achieved by following the rules set out in the enclosure. In particular it is very important to establish and record, **in advance**, the basis of tender or quotation evaluation. This could be a simple matter of lowest price or as recommended a predetermined combination of price, quality,

support, etc, which is in a scoring system. This can then establish the Most Economically Advantageous (MEA).

5. Leasing

Leasing is an alternative to outright purchase. It is often pursued by potential suppliers of equipment as the representatives can often earn substantial commission on a leasing deal. The advantage of leasing is that it spreads payments over a number of years. This can be attractive to those schools with low balances or where schools are wishing to restrict commitments within a particular Standards Fund allocation. The disadvantages are the extra cost in interest charges and the likelihood that when it comes to replacing the equipment, which is subject to the leasing deal, there will be little alternative other than to go back to the same company or alternatively there will be some substantial financial penalty in switching to a new supplier.

Under LMS Financial Procedure Rules all potential leasing deals are to be cleared, in advance, by the Assistant Director – Children and Young People's Service Finance who will also, under normal conditions, consult Legal Services. **Schools, in any event, are not permitted to enter into any leasing deal where ownership can transfer to the school at the end of the leasing period.** This form of lease known as 'finance lease' creates difficulties for the local authority (and therefore schools) in that the deals can count against borrowing limits and create other potential accounting issues.

Further information on leasing can be found in Annex 2.

6. Recording of Expenditure

Where expenditure on ICT equipment and/or software exceeds £5,000 (excluding the use of leasing) then it is necessary to record this as capital expenditure within the school accounts. Schools should not, however, break down any projects into chunks which are less than £5,000 to circumvent the guidance relating to capital expenditure. It is likely that schools will need to make capital adjustments within their accounts to fund this expenditure. Further information can be found in Chapter 4: Capital Expenditure of the School Finance Manual.

7. Software Purchase

Where software is being purchased at the same time as IT hardware, pre-loaded on the machines, schools must be satisfied that appropriate licences have been supplied to them prior to payment being made.

Annex 1 – Guidance on the obtaining of quotations for ICT purchases electronically.

LMS Contract Procedure Rules contain a proviso that schools may obtain quotations electronically by e-mail, provided that their systems comply with guidance issued by the Corporate Director – Strategic Resources. This Guidance has been drawn up by Veritau Limited, the Internal Audit Service, in conjunction with Children and Young People's Finance and Legal Services to assist schools in the setting up of secure systems for the electronic receipt of quotations.

Schools may arrange to obtain quotes for ICT equipment – and not other types of supply – electronically provided that -

- the total estimated cost of the procurement is not more than £50,000;
- a specification is drawn up and e-mailed to at least three suppliers, chosen by the school. Note that separate e-mails requesting quotations should be sent to each supplier, or appropriate measures taken to ensure that they are not aware of the other suppliers requested to quote;
- suppliers should be requested to return their quotation within no more than two working days to a **separate** e-mail account (set up with the address quotations@school.n-yorks.sch.uk or similar) maintained in school. This account should only be accessible by a small number of staff who have not drawn up the specification or selected the suppliers invited to quote;
- the quotation e-mails should be opened by the designated officers after the deadline given for replies. The prices should be recorded on a schedule, signed and dated by the opening officer, and copies of the schedule and the e-mails plus attachments should be passed to the officer organising the procurement. The original e-mails should **not** be deleted but retained electronically;
- all other provisions of LMS Contract Procedure Rules, i.e. those not relating to the receipt and opening of quotations, shall not be varied.

Any queries should be addressed either to Veritau Limited or the Legal Services helpline on 01609 532347.

Annex 2 - Leasing Agreements – ICT Equipment

ICT leasing agreements, **because of their technicalities**, should be subject to prior consultation with the Corporate Director – Strategic Resources - in advance of signature.

In any event the advice of Children & Young People’s Finance, both financially and operationally, is that schools should use leasing as a last resort. This may not be the line taken by sales people for the following reasons.

Firstly, there are two types of lease, operating leases and finance leases. These leases are sometimes given different titles but the DfE have now made it clear that schools are not allowed to borrow; **finance leases are not permissible** as this involves borrowing. Therefore, the only leasing deals which schools can enter into are **operating leases**. These can have very attractive rates but this is because at the end of a leasing period the equipment does **not** belong to the school. The leasing company, not the school, can decide what to do with its equipment. It can insist on taking the equipment back or charging a secondary lease to the school. Any clause or option to buy the equipment at the end of the lease implies it is a finance lease and is thus not permissible.

The terms and conditions on leasing deals are often very onerous. The Legal Services Unit check the small print for schools and are often very alarmed at what they find.

New technology is ever changing and leasing arrangements are inflexible if a school wishes to change its provision during the life of a lease. Sometimes the ongoing or closing costs of any previous deal are built in (but hidden) to the costs for the subsequent deal; this is not good practice as you effectively pay interest on the extra costs incurred in prematurely terminating the first lease.

Our preference is for outright purchase and schools seeking tenders or quotations (as you should) for computer equipment should make it clear in their specification that they are looking for outright purchase.

It is recognised that outright purchase may be difficult where the school is in a challenging financial position. However, the availability of licensed deficits and the ability to make revenue contributions to capital enable schools to overcome this type of circumstance. This is because, having bought the equipment, you can spend today but have the saving over the lifetime of the equipment. This can repay any authorised deficit.

Schools ICT Service

Most schools purchase services from the Schools ICT Service. A part of the basic service is advice on procurement. Please take advantage of this specialist advice. In approving any leasing deals (see below) it is expected that you will have taken advantage of this ‘free’ source of advice available as part of the basic subscription. This advice will concentrate on the **specification** which will meet your purposes. Having decided on a specification the process of procurement can begin. Again the Schools ICT Service can help by use of a series of framework contracts, arranged on your behalf, for the provision **and** support for most of your standard needs.

It is strongly recommended that schools purchase equipment through the Schools ICT Service. The Unit regularly undertakes procurement exercises to ensure that Best Value continues to be achieved. The advantages are that equipment is:

- quality checked
- subject to a prior tendering arrangement which means the school need not go through a tendering exercise
- provides a provision and support package usually in excess of the ‘basic warranties’ given by suppliers and purchasing consortia.
- facilitates effective support by the Schools ICT Service.

Clearly, schools do have the choice of how to procure ICT equipment but must always comply with LMS Contract Procedure Rules on quotations (or tenders) and contracts.

If schools wish to enter into a leasing agreement they must follow, for the reasons outlined above, the requirements of LMS Contract Procedure Rules on leasing and contact the Assistant Director – Children & Young People’s Finance for approval **in advance** of entering into the agreement. However, he will continue to give the sort of advice outlined above. The final decision will be for the school except the Assistant Director

– Children & Young People’s Finance will not sign any leasing deal which has inappropriate terms, or approve or license any deficit, in relation to equipment which is not technically ‘fit for purpose’.

Other Leasing Arrangements

The advice set out above applies to other leasing arrangements. However, the provision of photocopiers by leasing is an exception as leasing is the ‘industry norm’. Schools are advised to contact the North Yorkshire Procurement Service (NYPS) for up to date advice on photocopier contracts.