

# Procurement Policy and Procedures

This document sets out the Procurement Procedures referred to in the School's Financial Regulations. All staff involved in the commitment of School funds (regardless of the source of the funding) are required to follow these Procedures.

## Scope

- All staff involved in the commitment of School funds (regardless of the source of the funding) are required to follow these Procedures.
- All staff have a responsibility to secure value for money when incurring any expenditure and to ensure that all expenditures are for legitimate School purposes.
- Due to the various sources of funding the School receives, it is not obliged to follow the EU Regulations for public sector procurement when undertaking its own competitive processes. However, the School does make use of various consortium framework agreements that have been put in place following EU procurement processes. When using these frameworks, it is essential to follow the framework guidelines for their use, to ensure adherence with the EU Regulations that govern them.
- The Procurement Policy and Procedures also apply to companies and individuals undertaking specific pieces of work on a self-employed basis.

## 1 Responsibility and Contacts

- 1.1 The LSE Procurement team is responsible for: setting the School's procurement strategy and procurement procedures; publishing user guidance; maintaining a contracts database; providing a suite of contractual terms and procurement documentation; maintaining a list of approved suppliers; managing the school's travel service contract; advising on high value procurements; providing user guidance for lower value procurements; helping with

placing orders on OneFinance; maintaining the OneFinance catalogue; approving high value requisitions; and completing sourcing requests.

- 1.2 The Procurement team is responsible for ensuring that a robust competitive process is undertaken when procuring the School's requirements. It should be appropriate for the value and criticality of the contract.
- 1.3 Procurement Guidance and the Procurement Team's contact details can be found on the Finance Division [website](#).

## 2 Budget

- 2.1 A business case ensuring suitable appraisal and appropriate budget must be established for a procurement process. The [Financial Planning & Analysis](#) (FP&A) team must be contacted to confirm that a budget is available to cover the complete cost of the proposed contract.
- 2.2 If FP&A are unable to confirm that the budget is available, the procurement process cannot proceed without the written approval of the Finance Director.

## 3 Competition Thresholds

- 3.1 To ensure the School receives value for money, there is an obligation to seek pricing proposals from a range of suppliers before award of contract. These should be obtained on the following contract value basis.
- 3.2 The contract value is the lifetime value of the contract, not the annual cost. For ongoing requirements, the value should be estimated over the proposed duration of the contract, up to a maximum period of four years.

### **Contracts estimated to cost from £0 to £7,999.99 (excluding VAT) - Single Source**

For contracts with a value below £8k it is acceptable to procure on a single source basis without any cost comparison.

### **Contracts estimated to cost from £8,000 to £49,999.99 (excluding VAT) - At least 3 written quotations**

A specification of the requirement (together with a copy of the School's standard terms and conditions, which should form the basis of the contract) must be issued to a sufficient number of suppliers to obtain three written quotations. Quotations should be kept for audit purposes.

Although quality of service criteria is essential, as quotations are usually a simple comparison of price, award to a supplier that has not submitted the lowest quote requires the written approval of the Finance Director.

### **Contracts estimated to cost £50,000 and above (excluding VAT) - at least 4 sealed bids**

Where the total value of a contract is expected to be £50,000 or above, it is the responsibility of the Budget Controller to ensure that LSE Procurement are contacted for advice on the appropriate procurement route and tendering process. In the majority of cases, LSE Procurement will advise undertaking a sealed bid tendering process via the School's e-tendering portal, Bravo.

Contracts should be awarded to the supplier that provides the most economically advantageous tender, using criteria of both cost and quality. This may not necessarily be the cheapest but would provide the best value for money to the School over the lifetime of the contract.

If not awarding to the lowest priced bid, an evaluation report providing evidence of why the successful company has been selected must be sent to the Finance Director for approval of award. Both the report and written approval must be retained as part of the selection process audit trail.

- 3.3 It is the responsibility of the Budget Controller to ensure that the above thresholds are not avoided by splitting requirements. If there is a reasonable expectation that a supplier will be used on an ongoing basis, then orders should be aggregated and the above thresholds applied for competition purposes.
- 3.4 In circumstances where it is proposed to award a contract on fewer than the specified number of quotations/tenders obtained from suppliers, the following approval must be obtained in writing **proactively through the Single Source Justification Form**:
- Contracts up to a value of £25k – Must be approved by the Head of Procurement;
  - Contracts exceeding £25k – Must be approved by the Finance Director
- 3.4 The threshold requirements do not apply in certain instances. These include but are not limited to:
- Orders from the OneFinance catalogue
  - Pre-tendered Consortia framework agreements, for example, LUPC
  - Situations where the requirement could not have been known in advance and would place staff/students/property in jeopardy if not purchased immediately
  - Expenditure such as business rates, fees to examining bodies, or other such expenses
  - Individual orders placed under Consortia Framework Agreement or Measured Term Contracts which have been subject to a tendered process that is still valid
  - Research Collaborations with other institutes

- 3.5 Where any doubt remains in this area, advice must be sought from the LSE Procurement team.
- 3.6 Contracts for the supply of goods, services and works that cover a period greater than four years must be approved by the Finance Director **before** the relevant procurement process is undertaken.
- 3.7 Approval should be sought from the Finance Director before entering into any lease agreements. There must be sufficient evidence that leasing provides the best value for money option. Approval is required **before** the commencement of any procurement process.
- 3.8 The School encourages the use of Small to Medium Size Enterprises (SME) where appropriate, but when considering the use of an SME for ongoing critical services, any risks associated with using an SME must be mitigated. The risks and mitigation to be considered should include, but are not limited to:

Risk	Action taken/to be taken to mitigate the risk	Frequency	Responsible
Supplier's financial position insufficient for a long term contract for a critical service. Risk of supplier going into liquidation	Require supplier to identify their profit margin as part of their tender bid to ensure they are not 'suicide bidding' or operating to unsustainable profit margins	During the procurement process	LSE Procurement for contracts of £50k and above  Budget Controller for under £50k
	Undertake a financial assessment of supplier	Before and during the procurement process	LSE Procurement for contracts of £50k and above  Budget Controller for under £50k
Supplier failure during life of contract	Receive alerts via Creditsafe on changes in the financial position of	Ongoing	LSE Procurement

Risk	Action taken/to be taken to mitigate the risk	Frequency	Responsible
	LSE's critical suppliers		
	Request either of the following from the supplier: <ol style="list-style-type: none"> <li>1. Parent Company Guarantee</li> <li>2. Bank Guarantee</li> </ol>	During the procurement process	LSE Procurement for contracts of £50k and above (unlikely to be cost effective for smaller contracts).
	Limit contract length to minimum period required for service completion	Before contract award	LSE Procurement and stakeholder for contracts of £50k and above  Budget Controller for under £50k.
	Research alternative sources of supply for critical services	Before contract award and during contract period	Stakeholder and Service Manager
	For contracts requiring both goods and services, consider buying goods directly from the manufacturer to reduce the total contract value and	Before and during the procurement process	LSE Procurement and stakeholder for contracts of £50k and above

Risk	Action taken/to be taken to mitigate the risk	Frequency	Responsible
	ensure warranties and guarantees are provided		Budget Controller for under £50k
Request for payment in advance	Only essential costs incurred by the supplier on contract commencement to be considered and specified in the contract	Before contract award	LSE Procurement and stakeholder for contracts of £50k and above  Budget Controller for under £50k
Request for stage payments	Payments linked to service delivery milestones. Payment not released until acceptance of delivery	At agreed milestones	Budget Controller
Supplier staff resource insufficient to cover growing business commitments and any unforeseen absences	Agree key personnel and time dedicated to the School's contracted service and include in contract  Ensure that alternative suitable supplier resource is available if required	Before and during contract	Procurement and stakeholder for contracts £50k and above  Budget Controller for under £50k  Service Manager during contract

- 3.9 The annual value of a contract awarded to a supplier must not be greater than 30% of the supplier's total annual turnover. In exceptional circumstances, approval for an exemption to this rule can be requested from the Finance Director, via the Head of Procurement. The request must include a case setting out how any associated risks have been mitigated.
- 3.10 If a suitable business case can be made to invite a supplier to tender that does not meet the 30% turnover criteria above, the risk must be mitigated during the tendering process, by the use of contractual caveats or written assurances from the supplier. Finance Director approval would be required before contract award.

## 4 Specifications

- 4.1 It is the responsibility of the Budget Controller to provide a comprehensive and clearly written specification of their requirement. It should be an output based (rather than process specified) specification to ensure that supplier expertise and innovation is obtained during the competitive process.
- 4.2 The Budget Controller should ensure that affordability and value for money aspects are thoroughly considered when completing the specification.
- 4.3 All invitations to tender/quote must be accompanied by the School's specification of requirement.
- 4.4 Divisions should not separately compete their own requirement if it is for a service that is likely to be required across other areas of the School, where a school-wide approach would be advantageous and offer better value for money. To take advantage of: volume discounts; the administrative savings of using a single supplier; and a consistent, compatible school-wide service, a business strategy for the procurement of a School-wide service must be considered before a divisional procurement is undertaken.
- 4.5 For most services of the type covered under paragraph 4.4 above, LSE Procurement will be able to advise whether similar requirements are likely to be required in other areas of the School and whether a business strategy would be required. If users consider they are able to make a business case to compete their own requirement separately, it would need to be approved by either the Finance Director, or in the case of IT services the relevant IT approval board.

## 5 Contractual Terms and Conditions

- 5.1 The School has a suite of standard terms and conditions that where possible, should form the basis of the contract for all contracts awarded on behalf of the School (unless awarding under an approved framework agreement). The standard terms can be found on the [Procurement webpage](#).
- 5.2 A copy of an appropriate set of the School's terms should be issued with all invitations to

tender/quote. Seek LSE Procurement advice if unsure of the most suitable terms.

- 5.3 The Procurement team must review requests for amendments to the School's standard contract terms and conditions and/or the terms and conditions of suppliers. Such contracts can then be authorised by the School Secretary.
- 5.4 LSE payment terms should be 30 days net. If a supplier requires advanced payment prior to delivering the goods or services, approval must be sought from the Finance Director.
- 5.5 LSE Procurement must be contacted for advice if the proposed contract will involve the transfer of any staff or contractors under the Transfer of Understakings (Protection of Employment) Regulations (TUPE). LSE has specific contract terms for contracts involving TUPE.

## 6 Invitations to Tender (ITT)

- 6.1 Unless exempt under paragraph 3.4, all requirements of £50k and above must be tendered via the School's e-tendering portal (Bravo), using the School's standard ITT templates. This will be a sealed bid tender process controlled by LSE Procurement, with a specified deadline for receipt of tenders.
- 6.2 The Procurement team should ensure those invited for tender are a suitable selection of suppliers to ensure a fair competition.
- 6.3 The composition of the tender selection panel should include representatives of key stakeholders, Service Managers and service user representatives of the requirement. A member of Procurement must be included.
- 6.4 The criteria and weighting for the selection process should ensure both service quality and appropriate cost, giving due consideration to affordability.
- 6.5 The Procurement team or the Finance Director has the authority to advise and propose amendments to the composition of selection panels and criteria.
- 6.6 If the purpose of the procurement is to address any divisional or operational risk, please outline the mitigating factors. The School's Operational and Divisional risk registers are available from the Risk Manager on request,
- 6.7 Tenders are initiated using the Procurement Initiation Document (PRID) outlining roles & responsibilities of those involved in the tender, the tender timeline and a declaration from all those involved in the tender that no conflicts of interest are known in advance and should they become known during the tender process, they are to be declared to Procurement for immediate consideration.

## 7 Signing of Contracts

- 7.1 The School's [Scheme of Delegated Legal Authority](#) sets out who can sign legal documents



and execute deeds on behalf of the School. The Scheme must be followed in conjunction with the Procurement Policy and Procedures for all of the School's contractual arrangements.

- 7.2 Budget Controllers (or nominated Budget Holders) can sign contracts up to a contract value threshold of £100k, providing the contract uses one of the School's Approved templates (see paragraph 7.6 below).
- 7.3 For LSE Estates' major capital and building projects, the Budget Controller (or nominated Budget Holders) can sign contracts up to a contract value threshold of £500k, providing the contract uses one of the School's Approved templates (see paragraph 7.6 below).
- 7.4 For Data Technology Services (DTS) IT infrastructure projects, the Budget Controller (or nominated Budget Holders) can sign contracts up to the value threshold of £250k, providing that the contract uses one of the Schools Approved Templates (see paragraph 7.6 below)
- 7.5 The Scheme of Delegated Legal Authority stipulates that a contract risk assessment is required if not using an Approved template (see paragraph 7.6 below for definition). The risk assessment must include confirmation that unapproved terms have been reviewed by LSE Procurement and the supplier selection process followed the School's Procurement Procedures. For guidance and support in compiling a risk assessment, contact the [Risk Manager](#).
- 7.6 The School's Approved templates are defined as:
- One of the School's own standard sets of terms
  - Approved consortium framework terms (including but not limited to: London Universities Purchasing Consortium (LUPC); Crown Commercial Services (CCS); The Universities Catering Organisation (TUCO))
  - Approved model terms for Estates contracts (including but not limited to: JCT, GC Works and NEC);
  - Contractual terms approved by the Procurement or Legal team;
  - Any other contractual terms already approved (in writing) by the Director or School Secretary for use by the School.
- 7.7 If there is any doubt whether the contract falls under the definition in paragraph 8.6 above, the Procurement team must advise and confirm before the contract is signed.
- 7.8 Under no circumstances should a 'Letter of intent' be issued as it puts the School into a legally binding situation. Advice and guidance must be sought from Procurement where it is essential to provide an expression of intent before contract is agreed.
- 7.9 Whenever possible, no order should be placed with a supplier until a contract has been signed by both parties. If it is impossible to arrange for the contract to be signed before the need for an urgent order, then to reduce the risk:
- The intended contract must use one of the School's approved templates
  - and the terms associated with the contract need to be referenced in the order
  - if the order exceeds £100k (£500k for Estates division's major capital and building projects), it will require the prior approval of the School Secretary.

- 7.10 Contract extensions must be referred to Procurement before contacting the supplier. Any extension to a contract with a value exceeding £100k (£500k for LSE Estates' major capital and building projects) must be signed by the School Secretary.
- 7.11 If a proposed contract extension will take the contract beyond the School's standard contract duration of four years, it must be approved by the Finance Director.

## 8 Approval of Requisitions/Purchase Orders

- 8.1 Budget Controllers (or nominated Budget Holders) can approve requisitions within the following thresholds in OneFinance: up to the value of £1k; between £1k - £10k; above £10k.
- 8.2 All orders should be authorised by someone one other than the initiator.
- 8.3 Requisitions above the value of £50k will be routed to the Finance Director for additional approval.
- 8.4 Requisitions above £8k will be routed to the Procurement team to ensure that the order complies with the Procurement procedures.
- 8.5 Requisitions related to IT goods and/or services will be routed to a DTS team to ensure that the purchase complies with the IT Procurement Procedure
- 8.6 Requisitions related to certain Estates spend categories will be routed to LSE Estates to check that the purchase is valid.
- 8.7 Where a requisition is being raised with a sole trader or through a personal service company, it will be routed to the Payroll team to check that the HMRC's Employment Status Questionnaire has been completed.
- 8.8 Where a requisition is related to Research, it will be routed to the LSE Research team for approval.
- 8.9 All purchase orders must be delivered to a School address. No order should be delivered to a personal address.
- 8.10 It is the responsibility of the requisitioner and the Budget Holder to organise the return of orders with suppliers and gain the necessary credit note if an order requires returning.

## 9 Approved Suppliers

- 9.1 The School's list of approved suppliers can be found on the [Procurement webpage](#).
- 9.2 This list should be used to source suitable suppliers to invite to tender/quote, but all new requirements should follow the competition guidelines outlined in paragraph 3 above. It is

inappropriate to award a contract on a sole source basis unless your requirement is covered by an existing call off agreement, or the contract value is below £8k.

- 9.3 For certain service areas, where purchases should be made via a category division (e.g. Catering; IT; Print services) the suppliers are only available to the category divisions.
- 9.4 New suppliers cannot be added to the School's approved suppliers list without the prior approval of the Procurement team via the OneFinance 'Supplier Set Up' form.
- 9.5 Such nominations will be reviewed, taking into account existing approved suppliers of a similar nature and any preferred consortium arrangements available.
- 9.6 Budget Controllers shall advise the Procurement team of any suppliers to be removed from the list for reasons such as: failure to perform satisfactorily; are no longer used; have gone into receivership; or believed to be in financial difficulties.
- 9.7 The financial stability of suppliers providing business critical contracts will be monitored via the School's credit check alert system. The criteria used to identify such suppliers will be based on: criticality of loss of service; value of contract; and availability of alternative suppliers.

## 10 Preferred Suppliers and Consortium Arrangements

- 10.1 The School has preferred suppliers for a number of common goods and services, which are available on a call off basis without the need for further competitive tender. They should be used for these services unless it is possible to provide evidence of an alternative that provides better value for money. Information on these services can be found [here](#).
- 10.2 The School has access to a number of collaborative consortium arrangements, which utilise the purchasing power of a large number of member organisations. These arrangements should be the preferred option for the School's requirements unless it is possible to provide evidence of an alternative that provides better value for money.
- 10.3 The collaborative consortium arrangements include but are not limited to: London Universities Purchasing Consortium (LUPC); Crown Commercial Services (CCS); The Universities Catering Organisation (TUCO). LSE Procurement will be able to advise on available arrangements.
- 10.4 Where practical, staff should purchase from the OneFinance internal catalogue.

## 11 Procurement of IT Related Goods and Services

- 11.1 The School's DTS Division has its own additional IT Procurement Procedures, which must be followed for any IT related procurement, including: ICT equipment; software; mobile phones or similar devices; and for any peripheral with a value exceeding £200.
- 11.2 The [IT Procurement procedures](#) must be read in conjunction with this policy and procedure.

## 12 Major Capital and Buildings Projects

12.1 There are additional Procedures for Major Capital and Buildings projects which must be followed for projects of this type. The Procedures must be read in conjunction with this policy and procedures.

## 13 Ethics

13.1 All of the School's procurement should be undertaken in line with the [School's Ethics Code](#).

13.2 Information of a commercial nature such as prices submitted, tender offers, and prices currently paid shall be treated as confidential and not disclosed to any party outside the School. Disclosing such information may lead to disciplinary action.

13.3 Any member of the School involved in the evaluation of tenders must sign the School's Confidentiality and Conflict of Interest Declaration Form before commencing the evaluation process.

## 14 Equity, Diversity and Inclusion

14.1 The School's contractual terms state that suppliers should comply "with any and all applicable anti-discrimination legislation in connection with the performance of the contract (including in the supplier's employment practices)".

14.2 To ensure compliance, the School's standard terms should be used whenever possible and compliance discussed during Service Managers' review meetings with suppliers, particularly for contracts with a substantial element of human to human interaction.

## 15 Sustainable Procurement

15.1 The School is committed to the principles of Sustainable Procurement as detailed in the [Sustainable Procurement Policy](#).

15.2 Consideration must be given to sustainability when drafting the School's requirement specifications and where appropriate, included in evaluation criteria for award of contract.

## 16 Service Management

16.1 Following award, each contract should be allocated a Service Manager by the Budget Controller. Service Managers identified will be recorded on the Bravo contract database. They will be responsible for:

- building a working relationship with the supplier;
- obtaining feedback from users of the service;

- monitoring supplier performance against contractual service levels;
- arranging supplier review meetings to discuss performance;
- claiming contractual remedies for service level failures;
- discussing and agreeing any service improvement plans;
- ensuring legislative compliance;
- ensuring adherence to health and safety policies and procedures;

16.2 For contracts with a substantial element of human to human interaction (e.g. security services), diversity and inclusion issues should be discussed at review meetings, particularly any discriminatory related complaints received.

16.3 Once a contract has been awarded and the School is committed to spending the contracted charges, it is the Budget Controller's responsibility to oversee the budget and the payment of invoices in relation to the contract.

## 17 Contract Management

17.1 The Procurement team will maintain a contract database for all contracts of £50k and above. They will provide Service Managers with alerts of approaching contract expiry dates, allowing sufficient time (normally 9 months, but will depend on the complexity of the requirement) for an options appraisal by the Service Manager, the time required to undertake an appropriate competition and implementation. LSE Procurement will advise on an appropriate procurement route to re-compete the requirement.

17.2 For high value or critical contracts, an options appraisal meeting should be held in advance of contract expiry, to review whether alternative options would provide better value for money to the School. The meeting should include the Service Manager and representatives from Procurement and FP&A.

17.3 The Procurement team should be asked to advise on any requests for variations to contracts with a value of £50k and above.

## 18 Related Documents

- [Scheme of Delegated Legal Authority](#)
- [IT Procurement procedures](#)
- [LSE Sustainable Procurement Policy](#)
- Major Capital Projects procedure
- [LSE Ethics Code](#)
- The School's Operational and Divisional Risk Registers
- [LSE Risk Policy](#)
- [LSE Risk Procedure](#)
- [LSE Risk Strategy](#)

# Glossary

Below is a list of terms you may encounter when involved in procurement on behalf of the School.

## **Approved Suppliers**

The School has a list of approved suppliers that should be used to raise Purchase Orders against and to invite to tender/quote, but all new requirements should follow the competition guidelines outlined in paragraph 2 above. It is inappropriate to award a contract on a sole source basis unless your requirement is covered by an existing call off agreement, or the contract value is below £8k.

## **Audit Trail**

Documents stored as evidence of the evaluation process used when awarding a contract to a supplier (e.g. evaluation score sheets) or approval of a single-source request where the total value of a contract is above £8k

## **Bravo E-tendering System**

The School has a contract with Bravo Solutions for the provision of an e-tendering system and a contracts database. The e-tendering system must be used for all of the School's procurement for contracts of £50k and above.

## **Charges**

The supplier's proposed charges which, once accepted, should be included as a schedule to the contract.

## **Consortium**

Organisations which work collaboratively to form a consortium to put in place framework agreements available to all of the consortium members. This type of arrangement should offer better prices by using bulk purchasing.

## **Contract Value**

The lifetime value of the contract, not the annual cost. For ongoing requirements, the value should be estimated over a four year period.

## **Evaluation Criteria**

The criteria used during a competitive process to enable selection of a supplier for contract award.

## **Framework**

A call off arrangement with a supplier(s) that has already been subject to a competitive process.

## **OneFinance**

The LSE Purchasing and Finance system.

## **Policy Web Page**

A useful [website](#) holding a number of the School's policy documents.

## **Preferred Suppliers**

The School's preferred suppliers for a number of common services, which are available on a call off basis without the need for further competition. They should be used for these services unless

it is possible to provide evidence of an alternative supplier that provides better value for money.

### **Procurement Strategy**

The School's [Procurement Strategy](#).

### **Purchase Order**

An order that has been approved in OneFinance and sent to a supplier for processing

### **Purchasing Card**

Barclaycard credit cards issued to employees with responsibility for low value purchase requirements on behalf of the School.

### **Quotation**

A "quote" or "quotation" is a response to a simple and quick request for pricing from a supplier, used for contracts with a value between £8,000 and £49,999.99, which should be in writing and stored as evidence of the supplier selection process.

### **Requisition**

An order that is awaiting budget holder approval on OneFinance.

### **Sole/Single Source**

For contracts with a value below £8k it is acceptable to contract with a supplier without the need for a competitive process.

### **Specification**

A document that describes the requirement to be provided by a supplier under a contractual agreement. This should be written by the divisional owner of the requirement and included with any request for quotes/tenders. Specifications are included as schedules in contracts to record the agreed service to be provided.

### **Tender**

The bid proposal received from a supplier following an invitation to tender (for contracts of £50k and above) via the School's Bravo e-tendering system. It should be a sealed bid, which is not opened until a specified deadline.

### **Terms and Conditions**

The contractual clauses, that together with the specification, charges schedule, and service level agreement, form the basis of the contract. LSE has its own standard terms and conditions, which should be used where possible.

## Review schedule

Review interval	Next review due by	Next review start
Every two years	01/08/2021	01/04/2023

## Version history

Version	Date	Approved by	Notes
1	18/06/2019		
1.1	10/01/2023	Mike Ferguson	3.4 amended 6.7 added

## Contacts

Position	Name	Email	Notes
Director of Procurement	Cristian Martin	c.martin10@lse.ac.uk	

## Communications and Training

Will this document be publicised through Internal Communications?	<b>Yes</b>
Will training needs arise from this policy	<b>Yes</b>
If Yes, please give details	
This is an existing financial policy but the OneFinance project will draw attention to it and it will be made more visible and accessible. It will also be easier to enforce compliance with the contents of this policy	