

Procurement Glossary

Procurement

The process of finding and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process. The process is used to ensure the buyer receives goods, services or works at the best possible price, when aspects such as quality, quantity, time, and location are compared. Organisations and public bodies often define processes intended to promote fair and open competition while minimising risk, such as exposure to fraud and collusion (Source: Wikipedia).

Framework

A procurement framework is a compliant agreement put in place with a potential supplier or group of suppliers, who normally provide a common product or service. Frameworks give buyers a route to market to buy goods and services without running lengthy full tendering exercises and provides a time and cost effective way of testing the market to ensure best value is obtained.

Dynamic Purchasing System (DPS)

Shares similarities to a framework, however with one key difference. Frameworks are normally closed to new supplier applications after they have been established. Whereas with a DPS, new suppliers can apply to join throughout the contract term. This supports new and innovative suppliers and enables customers an opportunity to engage with local suppliers who may wish to join. The process for joining a DPS is often less admin intensive for suppliers and may therefore appeal to SME's who often have less time to produce a full tender application.

Further Competition

Also known as a mini-competition or mini-tender, this is a competed procurement exercise between the awarded suppliers on a framework or DPS. An individual customer's requirements are sent to the registered suppliers who are then invited to submit a specific tender to fulfil these requirements. This helps to ensure that customers are able to thoroughly test the market to ensure the best quality of products or services are received at the most competitive price.

Direct Award

This option is sometimes available on a framework. Direct award allows a buyer to make an award to their chosen supplier without opening up their procurement exercise to other suppliers. This can be a fast and straightforward way to procure goods in a compliant way, however it can limit competition. Direct award options are not normally available on a DPS as procurement when using a DPS is generally done using a further competition.



Quality Versus Price Ratio

Often tenders place greater emphasis on price or quality, depending on the desired outcome. Tenders for highly price sensitive, or routinely purchased goods and services may place an emphasis on lowest price, whereas a more complex, technical requirement may place more emphasis on highest quality.

MEAT – Most Economically Advantageous Tender

Many tenders use this approach to award the winning supplier. Tenders are scored and then the winning supplier is selected via a MEAT approach which identifies the overall winner based on a combination of individual price and quality scores.

Total Life Cycle Cost

Cheapest is not always best and it can be useful for buyers to consider more than the initial purchase price of a product or service. Total life cycle costing takes into account recurring and non-recurring costs over the full life span or a specified period of a product or service. It includes purchase price, installation cost, operating costs, maintenance costs, and remaining (residual or salvage) value at the end of ownership or its useful life.

OJEU

The Official Journal of the European Union is an online journal of public sector contracts above a certain value. Public sector contracts with an overall value above the OJEU threshold should be advertised on the OJEU journal to allow suppliers to see these opportunities and bid if desired. The OJEU threshold is currently £181,302.00 over the life of the contract (typically four years).

