

Procurement Terminology

Procurement processes unfortunately often involves the use of acronyms. Whilst it is important to avoid the use of unfamiliar words for those involved in carrying out a competitive process to buy goods, works or services and or manage a contract the table is provided as a useful reference to the terms frequently used or included in contract documents

Authorised officer	An officer of the authority who has been nominated by the authority to manage a contract or contracts with a contractor, supplier or service provider
Award	The issue of an order or contract to a supplier
BME Black and minority ethnic	(EMB is ethnic minority business) as used in the procurement ethnicity monitoring form is a 'minority led/diverse enterprise is defined as a business which has a majority (51 percent and more) ownership or senior management team comprising individuals from black and ethnic minority groups, women, disabled people, lesbian, gay, bisexual and trans.
Business questionnaire (also known as PQQ/pre-qualification questionnaire).)	This document may be used in the tendering process and the responses
Benchmarking	Comparison of performance against other providers of similar services, particularly those recognised as adopting best practice
Bond	An insurance policy: if the contractor does not do what it has promised under a contract with the authority, the authority can claim from the insurer the sum of money specified in the bond (often 10 per cent of the contract value). A bond is intended to protect the authority against a level of cost arising from the contractor's failure
Competitive tendering	Awarding contracts by the process of seeking competing tenders Contract The legal agreement which sets out the rights and obligations of all parties, which is intended to be enforceable in law
Contract Regulations	The organisation's own internal control procedures for managing procurement activity and contracts are used to help us shortlist suppliers
Collusion	A fraudulent arrangement between two or more parties whereby prices or service requirements are manipulated to get round competitive tendering

Competitive dialogue	A variation of the negotiated tender process, available under the UK Public Procurement Regulations which permits discussion of different options before choosing a particular solution. It can be used in complex contracts where technical solutions are difficult to define or where development of the best solution is wanted
Consortium	An unincorporated group of firms or individuals, often formed to tender for a contract with a view to forming a recognised entity or working in some other way in the event of winning
Consultant	An organisation or individual employed by the authority for specific tasks, usually where specialist knowledge or objective 1 review is required
Consumer Price Index (CPI)	The CPI is an index that measures the rate at which the prices of consumption goods and services are changing from one period to another. The prices are collected from shops or other retail outlets. The usual method of calculation is to take an average of the period-to-period price changes for the different products, using as weights the average amounts that households spend on them. CPIs are official statistics that are usually produced by NSOs, ministries of labour, or central banks. ¹ They are published as quickly as possible, generally within four weeks after the reference period. (OECD, 2020)
Contract documents	Documents incorporated in the enforceable agreement between the authority and the contractor, including contract conditions, specification, pricing document, form of tender and the successful tenderer's responses (including method statements) and all other relevant documents expressed to be contract documents (such as relevant correspondence, etc.)
Default	A breach of a contract condition, e.g. a delay in the promised delivery
E procurement.	The use of an electronic process to manage the purchasing process from identification of requirement through to payment and potentially to contract management
Evaluation	Detailed assessment of contractor, supplier or service provider commercial offers, against a published set of financial and quality criteria

Fixed price	A price which is not subject to variation
Framework agreement	An arrangement under which a contracting authority establishes with a provider of goods, works or services, the terms under which contracts subsequently can be entered into, or 'called off' (within the limits of the agreement) as particular needs arise
Invitation to tender	An invitation to contractors, suppliers or service providers to submit competitive tenders for the provision of works, goods or services. Also known as an 'ITT'
Invoice	A request for payment submitted by a supplier of works, goods and/or services that have been ordered by the authority terms
Invoice payment	Specified terms of payment agreed between the supplier and purchaser
Key performance indicator (KPI)	Key performance indicator. KPIs are tools which help us to measure the performance of suppliers against their contractual obligations. KPIs are normally detailed in the service specification document
Liquidated damages	A genuine calculation of estimated losses that the authority will suffer if the contractor defaults when performing the contract. This may form the basis of deductions from payments, which will be calculated according to the specific circumstance relating to each type of contract
Letter of acceptance	A letter that creates an immediate binding contractual relationship between the authority and the successful Tenderer prior to entering into a formal contract
Method statement	The document used in a tender process which sets out questions for the suppliers to answer which helps the tender evaluation panel understand the detail of the proposal
Most advantageous tender (MAT)	The tender that will bring the greatest benefit having taken a number of factors into consideration, including quality and cost and may also embrace sustainability issues. This is often referred to as the tender evaluation criteria
Negotiated procedure	A procedure for seeking competitive tenders under the UK Public Contract Regulations which can be used in limited circumstances.

Offer	A supplier's offer to provide goods and/or services for a consideration in response to a purchaser's specification
Official order	An approved electronic form incorporating the authority's standard terms and conditions of purchase and must always be used to place an order with a supplier. See also 'purchase order'.
Open procedure	One of the frequently used procedures for procurement under the UK Public Contract Regulations. This procedure enables all eligible applicants to submit a tender in a one stage procurement process
Parent company guarantee	A parent company guarantee binds the guarantor (the 'parent company') to fulfil and complete a subsidiary company's obligations and liabilities in the event of failure by that subsidiary to fulfil and complete its obligations and liabilities under a contract
Performance bonds	Bonds or guarantees given to clients by specialist insurers, on behalf of contractors and at their expense, binding the insurers to compensate clients (up to the amount of the bond obtained) in the event of a default
Procurement	The process of acquiring goods, works and services, covering acquisition from third parties and from in house providers. The process spans the whole life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset
Purchase order	See 'official order'
PQQ Pre qualification questionnaire.	See business questionnaire
Quality	The level of fitness for purpose which is specified for or achieved by any service, work or product
Quality Assurance (QA)	A discipline to assess quality standards, covering all activities and 3 functions concerned with the attainment of quality
Quotation or Quote	An offer by a supplier to supply goods, works or services requested either orally or in writing. A quotation may include the written confirmation of an earlier verbal offer
Restricted procedure	A procurement procedure under the Public Contract Regulations, which only eligible applicants who meet the client authority's

	selection assessment requirements are invited to tender. This is often known as a two-stage procurement process
RFQ Request for quotation.	A formal competitive procurement process for all requirements up to a total value of £50,000. An agreed number of suppliers are invited to submit a formal quote which is evaluated against published criteria
Schedule of rates	Lists of key tasks or recognised jobs, usually carried by the construction industry. Rates may be inserted by tenderers in a tender response.
Service	Services provided to the authority by an external service provider, an individual or organisation
Short listing	The process of selecting candidates who are to be invited to tender
SLA Service level agreement.	This may be provided by an external service provider to confirm the level of service to be provided. It is always sometimes used internally between authority departments and teams
SME	Small and medium business enterprises. An organisation with less than 250 employees
Specification	The document used to set out our requirements for the goods or services and used to seek competitive quotes or tenders
Sub-contracting Supplies	The process where a contractor assigns part of the contract to another contractor(s). Goods, either purchased or hired.
Sustainability	The environmental, social and economic issues considered as part of any suppliers offer
Tender	The procurement process of inviting and evaluating tenders from suppliers to provide goods or services.
Tender documents	Documents provided to tenderers invited to tender and these form the basis on which tenders are to be submitted, including instructions to tenderers, contract conditions, specification, pricing document, form of tender and the responses from tenderers
Tender evaluation panel	A group of people who evaluate tenders and make recommendation on the award of contract
TUPE	The Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended from

	time to time) implementing the Acquired Rights Directive on the acquired rights of workers
Variation	Any alteration, modification, addition to or deletion of any requirement of the contract terms or specification
Variants	Tenders that meet minimum specifications but vary in technical terms. This may be allowed by a contracting authority where award criteria that of most economically advantageous tender
Works	Building, construction and engineering related works