A Guide to ITT Pricing Schedules

Contents

1. Purpose

1.1 The purpose of this guidance is to offer assistance and options to persons responsible for drafting the commercial (pricing) schedules of an Invitation to Tender (**"ITT"**).

1.2 The Pricing Schedules are the part of the ITT that are completed by the Potential Provider to offer its prices for supplying/providing the requirements set out in the Specification. It is the element of the Potential Provider's Response on which the financial/commercial evaluation will be undertaken and will almost certainly form part of any subsequent contract(s) concluded. Pricing Schedules can range from quite simple documents for goods to very complex documents tied into the Potential Provider's achievement of key performance targets for Services. There is no one size fits all approach to pricing and the construction of Pricing Schedules.

1.3 Consequently this document is not designed to be prescriptive but rather provide useful direction for identifying and drafting Pricing Schedules requirements for large and/or complex collaborative procurement projects.

1.4 As indicated above the Pricing Schedules are not standalone documents, they will form part of the Invitation to Tender and ultimately any contract awarded by a Contracting Authority. It is therefore important to ensure that they are designed in a way that ensures that all the potential costs of supply/service provision have been captured and included in the prices that will be charged.

2. Introduction

2.1 Initially market analysis / supplier engagement should have identified the means by which the supply market calculates the prices for the required supplies/services it offers. Unless there are compelling reasons to seek pricing information on a different basis it is advised that the market "norm" is followed. This does not mean that innovative ways of leveraging price should not be used, see paragraph 5 below regarding discounts, volume breaks, rebates etc.

2.2 Unless already addressed during the strategic sourcing phase of the procurement, consideration should be given to benchmarking the approach of other major players in the market, who procure similar supplies/services in approximately the same volumes. They may have already developed pricing strategies designed to drive out better value.

2.3 Drafters should also be mindful of the fact that the procurement will almost certainly be being conducted under the restricted procedure and as such Pricing Schedules created whilst drafting the ITT will not be capable of being varied either during the tendering phase or post award. If therefore you want the Pricing Schedules to provide an element of flexibility that will help drive better value throughout the contract period, build in that flexibility at the ITT stage and try to ensure competition is maintained.

2.4 Drafting of Pricing Schedules will be dependent on a number factors including:

- whether the requirement is for supplies, services or a combination of supplies and services
- the way the supply market traditionally prices the supplies or services;
- the way in which the price is calculated i.e. whether it is a firm price for the goods/services; or a fixed price; or a combination of fixed and variable priced elements;
- whether there are potential “add ons” ie packaging or delivery;
- how prices will be increased/decreased or varied over the term of the contract eg indices or % plus/minus;
- the level of transparency required to understand how prices have been calculated;
  - discounts, volume breaks, rebates etc.

3. Pricing for Supplies

3.1 The Pricing Schedule is likely to be a relatively simple spreadsheet featuring columns for:

- a reference number – cross referenced to the Specification;
- an abbreviated specification for each of the products to be priced, linking into the Specification including any product specific identifier
- the UOM (unit of measure) i.e. each, box of xx, dozen, hundred etc and;
- further columns for the Tenderer to enter their price for varying quantities of the particular product.
- further line items to cover any add ons associated with the supply of the goods or products ie packaging, different delivery options (next day, 24hrs. 48hrs, 72hrs etc), insurance, mechanical offloading etc.

3.2 If required for transparency purposes or to understand the cost make up of more complex supplies additional information can be requested in supplementary spreadsheets. Such spreadsheets will likely call for the specific costs of acquisition to be itemised and may include for example;

- raw materials;
- components;
- assembly (labour) costs;
- storage;
- packaging;
- transport etc

Add ons

3.3 Care should be taken when constructing Pricing Schedules and any supporting spreadsheets that all possible charges associated with the cost of supply are included. Additional charges over and above the cost of the goods or product can include charges in respect of:

- minimum order values;
- packaging;
- insurance;
- delivery;
- deliveries turned away;
- collections;
- collection of empties/waste;
- collection of recyclable materials.

In every case the Pricing Schedules and/or the contract terms and conditions should cover how such charges will be dealt with by either including them or specifically excluding them.

4. Pricing for Services

4.1 In many respects pricing for services is more complex than pricing for supplies as there are a number of dynamics that can impact on the way the Pricing Schedules are constructed. The initial market research/ supplier engagement should have highlighted the pricing and cost related information required in the ITT.

4.2 As with supplies the Pricing Schedules for services must relate directly to the Specification and any Technical Requirements. Use of tables is recommended with sub sets of tables where transparency of price and cost is required.

4.3 In addition to the pricing for the services as set out in the tables consideration should be given to:

4.3.1 if appropriate, how the fixed and variable elements of the services are priced. For example the requirement may be to provide testing services whereby the cost of the infrastructure is fixed and charged pro-rata as a monthly fee. The individual charge for provision of testing services may vary depending on the number of tests provided;

4.3.2 additional services which may be provided on an ad hoc basis ie weekend working;
4.3.3 additional services over and above those in the Specification ie services arising out of some kind of unexpected event;
4.3.4 additional equipment;
4.3.5 additional labour (day rates);
4.3.6 ad-hoc inspections;
4.3.7 how variations to the services will be priced;
4.3.8 how annual price increases will be calculated;
4.3.9 how unknown legislatively imposed price increases will be dealt with such as increases in minimum wage.

5. Additional options to be considered

5.1 In addition to the pricing/charging information outlined above and in particular in cases where more than one contracting authority is collaborating, consideration should be given to other options to improve on prices paid. This may include:

5.1.1 Volume/Price banding – use of pre-determined volume bands whereby when increased volumes attract reduced pricing;
5.1.2 Discounts related to throughput;
5.1.3 Rebates related to throughput;
5.1.4 Single sourcing discounts or rebates ie committing all the customers volume to one Provider;
5.1.5 Gainshare from process improvements ie use of lodged procurement cards, online ordering, EDI, paperless payment;
5.1.6 Early payment discounts ie x% for payment within 10 working days of invoice date.

5.2 In developing the options set out above care must be taken that the Pricing Schedules are absolutely clear about how volume breaks, discounts and rebates are activated:

5.2.1 Are they based a retrospective volumes over the preceding 12 months are other defined period;
5.2.2 Are the based on some pre-agreed volume irrespective of timescale;
5.2.3 Will they be available to all Customers from the date they are activated
5.2.4 Will they be available to “new” Customers on joining the Framework Agreement;
5.2.5 If applicable individual Customers be capable of benefiting from rebates;
5.2.6 Would service credits/financial credits against future invoices be more beneficial.