

**PROCUREMENT OFFICE GUIDELINE ON THE TREATMENT OF SUPPLIERS**  
**BASED UPON RISK ASSESSMENT OF FINANCIAL HEALTH**

The following table provides guidelines but may need to be adapted depending on individual circumstances. Each contract will need to be considered on its merits depending on the degree of competition, the nature of the sector and other factors.

The over-riding objective of the Procurement Office is to remove, reduce or mitigate risk. Financial health will be included as part of evaluation/selection criteria where it is necessary for technical or other reasons.

Estimated Contract Value	Check Progressed by Purchasing Office	Risk Alert Level		
		Green (2)	Amber (3)(6)	Red (4)(6)
less than 25k	Dun & Bradstreet Report, optional IAR (1)	Place order/contract	Place order/contract	Judge on merits
more than 25k less than 100k	Dun & Bradstreet Report plus IAR	Place order/contract	Place order/contract 10% max advance.	Nil advance
more than 100k less than 250k	Dun & Bradstreet Report plus IAR	Place order/contract	Place order/contract 5% max advance	Nil advance & consider BG (5) alternatives (6)
more than 250k	Dun & Bradstreet Report plus IAR	Place order/contract	Place order/contract 3% max advance	Nil advance & consider BG alternatives (6)

Notes

1. Internal account review (IAR) by Procurement Office staff plus internal accountants if required. Check gross and net profit as percentage of turnover.
2. Green would indicate financially robust supplier. Guideline is 10 per cent net profit as percentage of turnover and/or a 'low' Overall Business Risk within the Dun & Bradstreet Report however this may vary depending on the industry standard e.g., construction net profit could be around 5%.
3. Amber would indicate medium risk. Guideline is 3 to 10 per cent net profit as percentage of turnover and/or a 'moderate' Overall Business Risk within the Dun & Bradstreet Report.
4. Red would indicate high risk. Less than 3 per cent profit as percentage of turnover, or loss, and/or a 'high' Overall Business Risk within the Dun & Bradstreet Report.
5. Bank guarantee. Note bank will charge supplier and often reserve from supplier assets.
6. If stage/split payments are to be used, separate orders must be issued for each stage for any company in the amber or red category.

**IF THE SUPPLIER WILL NOT PROVIDE ENOUGH FINANCIAL COVER FOR THE UNIVERSITY TO BE SATISFIED THERE IS A SUFFICIENT REDUCTION IN RISK, THE UNIVERSITY RESERVES THE RIGHT TO PLACE THE CONTRACT ELSEWHERE.**

**ALL SUPPLIERS MUST BE VAT REGISTERED AND DISCLOSE THEIR VAT REGISTRATION NUMBER WHERE REQUESTED IN UNIVERSITY TENDER DOCUMENTATION.**