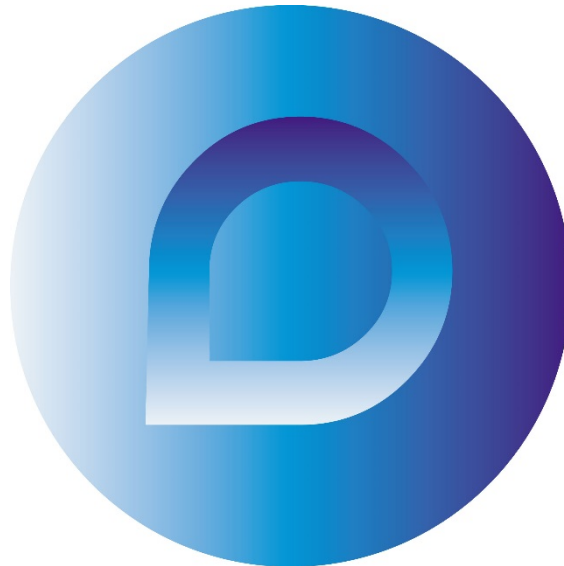


# Financial Controls & Procurement and Supplier Policy

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**Reviewed: June 2022**

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This document sets out the policy and authorisation procedures that are required for the acquisition of all goods and services by By Design Group and all associated companies. Their purpose is to ensure that we:

- Obtain value for money.
- Maintain a high level of probity and financial control.
- Meets all of its various contractual obligations.
- Promotes greater environmental sustainability (see section 18).

## 2. RESPONSIBILITY

The day-to-day responsibility for adherence to these procedures' rests with the Chief Operating Officer. The ultimate responsibility rests with the Board who are responsible for setting the procurement thresholds and authorisation limits.

## 3. SCOPE

These policies and procedures apply to and cover all individuals working for By Design Group and associated companies at all levels and grades. Failure to comply with any part of these policies and procedures may be dealt with under By Design Group's disciplinary procedures and, in serious cases, may be treated as gross misconduct.

## 4. SUMMARY

- a) All financial commitments must be accommodated within the available budget (Section 5).
- b) All procurement MUST be conducted using the appropriate procurement route (Section 6).
- c) Purchases MUST NOT be sub-divided simply to avoid the application of the thresholds (Sect. 6 & 7).
- d) All financial commitments MUST be authorised in advance by the budget holder or their manager in accordance with the appropriate authorisation threshold (Section 6).
- e) All invoices, requests for payment and expense claims MUST be authorised by the budget holder or their manager in accordance with the appropriate authorisation threshold (Section 9).
- f) Quotes and reasons for decisions should be retained (section 12).
- g) The Financial Controller or Chief Operating Officer should be informed of procurement plans for supplies >£10,000 in advance (Section 6, Table 1).
- h) The Chief Operating Officer should be consulted when agreeing contracts (Section 16).

## 5. BUDGETARY CONTROL

All financial commitments must be accommodated within the available budget. In addition, all financial commitments must be recorded in the relevant Commitment Record against the appropriate budget code which is then updated on receipt of the invoice. The budget code for the item should be agreed before the order is placed and recorded on the PO.

## 6. THRESHOLDS AND MINIMUM REQUIREMENTS

There are two sets of thresholds, those relating to the PROCUREMENT ROUTE (**Table 1**) and those relating to the AUTHORISATION of the purchase order or contract (**Table 2**).

## PROCUREMENT ROUTE

All procurement **MUST** be conducted using the appropriate procurement route.

Table 1 sets out the procurement route to be used for procurement activity falling within certain financial thresholds. These thresholds are set at levels that allow value for money procurement to be achieved and reflect good practice in public procurement. The financial limits are stated **excluding Value Added Tax (VAT)**. The financial limits relate to the **total lifetime cost** of the procurement activity as estimated at the time of the procurement.

**Purchases MUST NOT be sub-divided simply to avoid the application of the thresholds.**

On **very rare** occasions, the use of the minimum requirement as set out in **Table 1** may not be appropriate - for example where only one supplier is capable of providing the goods or services. In such cases you should seek advice from the Chief Operating Officer on how best to proceed. Exemption from thresholds will only be granted in exceptional circumstances and the rationale and approval must be documented and retained.

Contracts in excess of £50,000 require a business case to be prepared and approved by the Chief Operating Officer and Executive Chairman in advance of committing the company to the cost. For contracts in excess of £150,000 the business case will be submitted to the Board for prior consideration.

Procurement of travel and accommodation is **not** subject to the minimum procurement requirements but are subject to a separate policy document.

**Table 1: TRESHOLDS AND MINIMUM REQUIREMENTS**

Purchase/ Contract Value (Total Lifetime Cost)	Minimum Requirement	Communication & Evidence
Below £5,000	Costs agreed should be confirmed in writing	Purchase Order in NAV
Between £5,001 and £10,000	Three written quotes (See Section 12)	Save quotes and brief reason for decision on the shared drive. Documents to be retrievable for audit.
Between £10,001 and £50,000	Three written quotes (See Section 12) Chief Operating Officer to approve.	Inform the Chief Operating Officer or Financial Controller of your plans prior to contracting with the chosen supplier. Save all relevant documentation. Documents to be retrievable for audit.
Between £50,001 and £150,000	Business case required. Chief Operating Officer to approve. Formal Tender Process to be followed using Request for Proposal template	Send business case and RFP to Chief Operating Officer before sending to potential suppliers. Save all relevant documentation. Documents to be retrievable for audit.
Between £100,001 and £150,000	Business case required. Chief Operating Officer and Executive Chairman to approve. Formal Tender Process to be followed using Request for Proposal template	Send business case and RFP to Chief Operating Officer before sending to potential suppliers. Save all relevant documentation. Documents to be retrievable for audit.
Over £150,000	Business case required. To be approved by the Board. Formal Tender Process to be followed using Request for Proposal template.	Send business case and RFP to Chief Operating Officer before sending to potential suppliers. Save all relevant documentation. Documents to be retrievable for audit.

## 7. PURCHASE AUTHORISATION

**All financial commitments MUST be authorised in advance by the budget holder and the applicable authorised person in accordance with the appropriate authorisation threshold. Purchases MUST NOT be sub-divided simply to avoid the application of the thresholds.**

As noted in table 1, for purchases with one supplier in excess of £50,000 a business case must be prepared and approved by the Chief Operating Officer prior to contracting with the supplier. For purchases over £100,000 the business case will be reviewed by the Executive Chairman and for purchases over £150,000 the business case will be reviewed by the Board.

Table 2 below sets out the minimum authorisation requirements for procurement activity falling within certain financial thresholds.

**Table 2: MINIMUM AUTHORISATION REQUIREMENTS**

Purchase/Contract Value	Authorisation Required
Up to £5,000	Budget Holder as authorised
Up to £10,000	Head of Department / Manager
Up to £50,000	Chief Operating Officer
Up to £100,000	Chief Operating Officer (following approval of business case).
Up to £150,000	Executive Chairman
Over £150,000	Board

Where Board approval is required, the Executive Chairman will authorise the purchase on behalf of the Board following agreement at a Board meeting.

## 8. CREATION OF PURCHASE ORDERS

A purchase order (PO) must be created before the payment of an invoice can be processed.

Certain individuals as approved by their heads of department / managers will have access to raise purchase orders which will then be approved in line with the authorisation limits noted above. Please direct requests to amend or add users to the finance department.

Please complete the 'Raise a Purchase Order Form' and forward to finance for the relevant purchase order to be raised. The PO will then be sent to the relevant head of department for approval if it is higher than the authorisation limit for the person who has completed the Raise a PO Form'.

Once raised the Purchase Order number will be sent to the person who requested the PO and their direct line manager.

At the same time, those responsible for the budget must also ensure that the relevant commitment schedule is updated to include the order. These schedules are provided by the finance department, but it is the budget holder's responsibility to keep them up to date for orders.

Where a purchase order involves a supplier that has not been used before please complete the "New Supplier Form" and submit to finance.

The Finance team will monitor the purchase order log and investigate any gaps in the sequence. All purchase orders will be kept for a minimum period of six years.

## 9. INVOICE AUTHORISATION

All invoices, requests for payment and expense claims **MUST** be authorised by the budget holder and the applicable authorised person in accordance with the thresholds in Table 2. Board approval is not required for payments over £150k if the board has previously approved the business case and there have been no significant changes.

Suppliers should be instructed to send invoices to the finance department (email address: [finance@bydesign-group.co.uk](mailto:finance@bydesign-group.co.uk)). The accounts payable team will then send them to the budget holder to be approved before payment to ensure that the goods or services have been delivered as agreed. If an invoice is received in another department, please pass it to finance.

The finance department will check that all authorisation requirements have been properly complied with on receipt of the invoice before payment.

## 10. RECEIPT OF GOODS OR SERVICES

Goods and services delivered/provided to By Design Group and associated companies should be checked:

- To the purchase order to ensure that the goods or services were ordered and that the order was correctly approved.
- To ensure that any goods received are in good condition and that any services have been completed correctly. Any damaged goods or service that does not fulfil the order requirements must not be accepted.
- To the delivery note (where applicable) to ensure that the note accurately refers to the order number, the quantity of goods delivered, and the description of the goods delivered.

## 11. RECOGNITION OF LIABILITIES

Liabilities will be recognised on receipt of goods or services.

## 12. QUOTES

A record should be kept of any quotes required by the purchase route specified in Table 1.

To obtain quotes the following steps should be taken:

- 12.1. Identify suppliers - consider evaluation criteria such as product specification, price, prior experience, references, or recommendations.
- 12.2. Provide suppliers with a written brief – however short, but the same information should be given to all suppliers.
- 12.3. Invite suppliers to submit quotations in writing.
- 12.4. Ensure the quotations received are not estimates (estimates are not binding in law) by obtaining a written quotation from the supplier with quotation clearly stated.
- 12.5. Quotations and a note on why the winner was selected should be saved (to be retrievable for audit).
- 12.6. When the preferred supplier has been selected, a procurement contract must be produced. In most instances this will comprise no more than a By Design Group or associated companies purchase

order. However, in some cases a more detailed contract document must be produced for execution by both parties. In these cases, or if in doubt, please consult with the Chief Operating Officer as to the most appropriate form of the contract (see Section 16). In either case the purchase document must be authorised in accordance with the minimum authorisation requirements as set out above.

### 13. TENDERS

Where the estimated total lifetime cost of goods or services to be purchased from the supplier is over £50,000 formal tenders should be invited in line with the guidance below.

### 14. INVITING TENDERS

- 14.1. A list of suppliers should be drawn up. Where possible suppliers to be invited to tender should be identified using CompeteFor. A minimum of 5 suppliers must be invited and at least 3 tenders should be received. Where the services are niche then in exceptional circumstances a smaller number of suppliers or tenders may be acceptable. Authorisation for such orders must be given by the Chief Operating Officer. Single tender orders over £50,000 will only be acceptable if the skills/services offered are 'unique' or if the timing is such that the delay caused by inviting competitive tenders may result in an unexpected opportunity being foregone. In the exceptional cases where this may apply, authorisation for such orders must be given by the Executive Chairman / Board.
- 14.2. A Request for Proposal (RFP) should be drawn up using the standard template. The RFP should include the following:
  - Invitation to tender letter.
  - Instructions for tenderers (including deadline date to submit tenders & person to whom tenders should be addressed).
  - An outline of the evaluation criteria.
  - A specification/brief.
- 14.3. Please inform the Chief Operating Officer before sending the RFP to potential bidders.
- 14.4. It is also important that the specification requests all the information required for the agreed evaluation criteria. This may include the need for a presentation, site visit, demonstration, and so on, as required. This will save additional information being requested at a later stage.
- 14.5. Fairness requires that all prospective bidders are treated equally. All RFPs must be issued simultaneously and the same date and time for return of tenders applied to all bidders. RFPs must not be dispatched to additional tenderers after the closing date as this could lead to accusations of impropriety.
- 14.6. Names of suppliers invited to tender should not be circulated to invitees because it may encourage collusion.

### 15. EVALUATING TENDERS

Following the opening of the tenders they should be evaluated in accordance with the agreed evaluation criteria. Evaluation should be based on securing value for money, ability to deliver, demonstrable track record, ability to meet the required criteria or the most economically advantageous, taking account of cost and quality. Copies of all RFPs and tenders received, plus a note on why the winner was selected should be held on the shared drive by the person who has led the tender process (to be retrievable if needed for audit).

- 15.1. All prospective suppliers going through the tender process should be subject to a credit check by the financial controller. Suppliers should not be selected prior to this check.

## 16. AWARDING A CONTRACT

When the preferred supplier has been selected, a contract document package must be produced for execution by both parties. You must consult with the Chief Operating Officer as to the most appropriate form of contract. The purchase document must be authorised in accordance with the minimum authorisation requirements as set out above.

Contracts over £150k should be reviewed by the By Design Group legal counsel. Contracts of £149,999 or under should be reviewed by the Chief Operating Officer and Executive Chairman.

## 17. MONITORING PERFORMANCE AND ASSESSING VALUE FOR MONEY

All contracts must be monitored to assess work done and value for money on a regular basis by the Head of Department / Manager, Chief Operating Officer or Executive Chairman as appropriate for the level of expense (in line with approval levels in table 2). Methods of monitoring may include:

- The submission of monthly timesheets to indicate commitment to task and in support of future invoicing.
- Monthly reports of work progress to agreed targets.
- Regular monitoring of cumulative costs of contractors and consultants to ensure that their use is confined within approved expenditure levels.
- Regular review to ensure work is within approved terms of reference.

## 18. PROMOTING GREATER ENVIRONMENTAL SUSTAINABILITY

By Design Group and its associated companies is committed to promoting greater environmental sustainability by including environmental aspects when considering the choice of goods and services to be purchased. In particular we will, wherever practical and economical, seek to follow the 'Green Procurement Code' and:

- a) Reduce waste through reviewing the amount and type of materials purchased, and by taking up opportunities to purchase refurbished, recycled, and recyclable equipment, products, and materials.
- b) Source green, renewable energy supplies, and energy efficient equipment and machinery.
- c) Ensure that goods purchased do not have an adverse effect on the environment and comply with EU and international trading rules.
- d) Purchase organic and Fair-Trade food and drink where practicable; and
- e) When travelling, ensure that a mode of travel is chosen which minimises the impact on the environment.

## 19. EU STRUCTURAL AND INVESTMENT FUNDS

In relation to projects funded under EU Structural and Investment Funds, in particular the YEI funded Get on Track project in 2015 - 2018, BDG confirms that it and its partners will comply with the Procurement Law Guidance and Public Contracts Regulations thresholds. Full guidance is appended to this policy and the authorisation of the MD is required in relation to this project, due to the differing nature of certain requirements. Partners and staff will receive full support and training, with the inclusion of this policy and guidance in the Quality Manual for partners. Monitoring and evaluation will be completed as per the guidance in Appendix 1.