



Durham Students' Union
Purchasing Policy and Procedures

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Purchasing Policy

This Purchasing Policy applies to and binds all employees of Durham Students' Union in any situation where they are involved in a purchasing process, whether as requisitioners or specifiers, purchasers or negotiators, or those who validate or authorise payment. 'Purchasing' includes all procurement activities including leasing and hiring, and may where appropriate include other activities accompanying the life cycle of goods (or service contracts) and the end-of-life disposal of goods which have been procured (whether or not they remain in our ownership). Adherence to the Purchasing Policy is both an individual and a corporate responsibility. Wilful breach of this policy, or unauthorised departure from the Procedures derived from this Policy, may constitute a disciplinary offence.

The Policy Statement can only be revised or altered with the authority of the Governance & Appointments Sub-Committee of the Board of Trustees. It is permissible to modify or override individual elements of Procedure, after appropriate authorisation, but only if such changes do not conflict with the aims and objectives of the Policy Statement.

Policy objectives

The organisation's Purchasing Policy exists for a number of discrete but interconnected purposes. These objectives are expanded below and are reflected in the detailed Procedures that follow.

The Policy commits Durham Students' Union, and every individual involved in purchasing and supply management processes within the organisation, to use their best endeavours to ensure that our purchasing and contracting activities are:

- legal
- accountable and auditable
- ethically, environmentally and socially responsible
- economically effective, providing good value for money
- conducive to maintaining the organisation's ability to exploit appropriate technological, commercial and organisational developments as they arise
- capable of identifying, minimising and managing risks that may threaten the supply chain or the wider organisation
- open to continuous improvement and development, in particular by the training, development and support of staff.

In addition it is the Union's objective that, as far as is within their power, it will only employ suppliers and contractors who subscribe to and operate on similar principles.

Joint Venture partners, and the management of outsourced activities on the organisation's behalf, are similarly expected to abide by and promote these principles.

Of these objectives, a), Legality, and b), Accountability and Auditability, are non-negotiable. There are no circumstances in which it is permissible for the activity or those engaged in it consciously to break, or knowingly to risk breaking the laws that apply.

There are no circumstances in which it is permissible to requisition or buy goods or services or commit the organisation's funds without documenting the transaction in such a way that at a future date it is possible to determine who requested, made, or approved the expenditure,

the purpose of the expenditure, the process by which all key decisions were arrived at, and by whom, and the destination of any goods or services received and of any payments made.

The remaining objectives are necessarily counsels of perfection, and may be expected to create conflicts and require trade-offs. The Procedures that derive from this Policy Statement are designed in part to provide a framework within which such conflicts can be managed in a legal and accountable manner. The overall principle to be adopted in such conflicts may be memorised as BAPNEEC - that is, we will use the Best Available Procedure Not Entailing Excessive Cost.

Legality

Purchasing and contracting activity will fully respect and comply with:

- All applicable UK laws and regulations.
- All applicable European Union laws, directives and regulations (including those governing Public Procurement, where relevant)

Note: this includes not only those laws directly applicable to the buying and selling of goods and services - it includes amongst others the laws on:

- taxation – the purchasing department will not be a party to the evasion of income, sales, corporate, value added or other taxes, customs duties, or other charges, either by P&SM Professionals, their customers, or their suppliers
- environmental regulations
- employment, health and safety
- corruption

The organisation is committed to the fair and effective application of laws and regulations. There is therefore a positive duty on the Union to report and refer any and all reasonably founded suspicions of illegal activity (for example, attempts at corruption, evidence of anti-competitive or cartel-like activity, breaches of employment or environment law).

In aid of this, it is the Union's policy to support, protect and where possible preserve the anonymity of 'whistleblowers', inside or outside of our organisation, who act in good faith, even if their suspicions should subsequently prove to be unfounded.

Accountability and Auditability

The Union will maintain systems, whether manual or electronic, that will, for all purchases, contracts and external commitments above the level of 'petty cash' and minor allowable personal expenses, record, identify and as appropriate provide justification for:

- the originator of the requirement
- the purpose for which the requisition was made
- the route by which the requisition was approved
- all relevant documentation (for example Requests for Quotation, Tender documents and so on) and the reasons for decisions made
- the source of supply
- the route by which payment was authorised, and when, to whom and in what sum any payment(s) are made.

Ethical, environmental and social responsibilities very frequently conflict, both between themselves and with other objectives, such as that of economic efficiency. What follows is necessarily exhortatory rather than mandatory, but where significant conflicts do arise employees involved in the procurement may be required to show (and record as set out above) that due attention and weight has been put on these issues under the BAPNEEC principle. A 'balanced' or 'weighted' scorecard approach is recommended.

Specific concerns may require this policy statement to be amplified - nonetheless, the following represent the minimum acceptable commitment:

- The Union will NOT support sourcing where the minimum and (nationally or internationally) legally required standards are not applied
- The Union will, where possible, prefer to purchase goods and services that can demonstrate a lower overall (life-cycle) environmental impact
- The Union will treat all actual and potential suppliers and contractors fairly, equally and objectively
- Notwithstanding the above, purchasing procedures will reflect the need to encourage diversity in the supply base, and encourage where appropriate the development of small suppliers, start-up companies, local suppliers and minority-owned suppliers
- All reasonable attempts will be made to assist suppliers to overcome difficulties and/or to improve their performance for us. Terminating a supplier or a contract is, except in extreme circumstances such as financial failure or illegal activity, to be regarded as a last resort
- The Union will have due regard for the needs and sensitivities of the community in which it is located (especially but not solely in terms of environmental and amenity impact)
- The Union will make every effort to ensure suppliers and contractors adhere to the provisions of the Modern Slavery Act of 2015

Economic effectiveness (Good Value for Money)

The procuring of goods and services in the most economically effective manner is, subject to the legal, ethical and other restraints outlined above, the central role of the employee working with this policy. In carrying out this role, all those involved in purchasing will have regard to the following:

- the desired outcome is that of greatest value gained at lowest total cost.
- total cost will as appropriate take into account the full anticipated life-cycle costs of the goods or services, including such factors as maintenance, servicing, reliability costs, and costs of ultimate disposal where this organisation may be responsible for them
- value may and should, where appropriate, be assigned, however approximately, to such factors as sustainability, environmental and social benefits and of improving the competitiveness of the supplier base on which we depend
- in addition to the total cost of acquisition or ownership, it is policy to reduce where possible the administrative cost of acquiring and owning goods and services. Selection of the most appropriate procedure to obtain an approximation to best value without incurring excessive administrative cost (or without unduly diverting limited resources from other activities and priorities) is therefore vital.

Risk management

The expenditure of resources outside the organisation, and the dependence on an external supply chain, exposes the organisation to a wide variety of risks. For any significant expenditure, long-term commitment, or identifiable 'pinch-point' (that is where even a small supply problem could have larger ramifications for the well-being of the organisation) formal risk assessments will be made, as appropriate, addressing:

- supply risk - risks resulting from the non-performance or poor performance of a supplier or contractor
- demand risks - arising from the Union ordering too much, too little, or the wrong goods or services, relative to the actual need
- process risks - the risk that the way goods are used or services supplied may not be optimal for the circumstances - even if they comply with the formal requirements of the tender or contract
- control risks - risks arising from deficiencies in internal processes and procedures - including, but not confined to, procedures mandated in this document
- environmental - the impact of unpredictable hazards from Acts of God through acts of Parliament to acts of terrorism
- social – risks arising from issues related to Corporate Social Responsibility such as Human Rights and so on.

Risk assessment in the supply chain is necessarily subjective: it is nonetheless required that where a significant risk is identified, the nature of the risk shall be identified to stakeholders, and where possible alternative solutions or fall-back positions considered and documented.

Purchasing Procedures

The following provides the procedures arising from the Purchasing Policy espoused above.

1. General

1.1 This process shall become effective from 1st August 2016 when they will supersede all previous policies and procedures issued.

1.2 The Director of Governance and Compliance shall review these procedures on an annual basis and shall report to the Governance & Appointments Sub-Committee any recommended amendments.

2. Delegation of Authority for Purchasing

2.1 The conditions applicable to delegation set out in Section 3 are taken from the Financial Policy and must be observed.

3. Unauthorised Purchases

3.1 Unauthorised purchases are defined as a commitment for goods or services being made by anyone other than an authorised employee of the Union whether or not a confirming purchase order is involved. An authorised employee is one to whom delegated authority has been given as defined in Section 3.

3.2 The identification of unauthorised purchases at an early stage is important and careful scrutiny is required by all designated officers involved in the purchasing and invoicing process to ensure that unauthorised purchases are detected and halted before payments to suppliers are made.

4. Personal Purchases

4.1 No personal purchases shall be made in the name of the Union and institutional resources shall not be used in any way for the purpose of making personal purchases, except that educational equipment and materials may be purchased by the Union for re-sale to students.

5. Authorisation of the Requisition

5.1 In cases where a written requisition is raised in order to generate an official purchase order, the requisition must be approved by a member of staff to whom the responsibility for authorisation has been delegated.

5.2 To enable an up to date commitment record to be maintained, orders placed must show a valid expenditure code as to the account chargeable together with a firm cost against each code.

6. Order Processing

6.1 Supplier Selection

It is the responsibility of each authorising officer to ensure that orders are placed primarily in line with the Union's Purchasing Policy and Approved Supplier List.

6.2 Sourcing

6.2.1 Definition

Sourcing is defined as the identification of appropriate suppliers and the comparison of their products, plus other commercial considerations, to achieve the optimum value for money.

6.2.2 Sourcing Circumstances

Authorising officers must ensure that regularly used items of total annual purchase value (inclusive of VAT) of more than £3000 are the subject of a sourcing exercise at least once per annum. Any such exercise must involve the use of at least three suppliers.

6.2.3 The Sourcing Exercise

There are two methods of sourcing: by quotation and tender.

a) Quotation

For goods and services up to the value of £10,000 -

Sourcing of new items will involve a request for quotation to at least three suppliers as should exercises sourcing on-going requirements. A quotation may be defined as an offer, whether verbal or written. Care should be taken in drawing up the request for quotation document with respect to:

- Specification and general requirements
- Usage figures
- Quality standards
- Terms and Conditions
- Special delivery requirements

b) Tender

For goods and services over the value of £10,000 -

A tender may be defined as a written offer completed by suppliers in accordance with the Union standard invitation to tender document.

6.2.4 Competitive Quotations and Tenders

(i) A minimum of three competitive quotations shall be obtained in writing where:

1. The value of any individual item is £3,000 (including VAT) or more.
2. The value of the sum of constituent parts, making up an entity for operational purposes is £3,000 (including VAT) or more.

(ii) Where quotations have been sought it is essential that documentation is retained to provide evidence that due weight has been given to considerations of economy, efficiency and effectiveness for all purchases.

(iii) When a purchase order is placed as a result of a competitive quotation, it shall be referenced to the relevant quotation.

(iv) Wherever possible, all purchase orders prior to dispatch to suppliers should bear the correct price. It is permissible that orders placed requesting service or repair of equipment will not bear an exact price since the exact cost of the transaction will not be known. In this circumstance best estimates should always be used.

(v) Standing (or "call off" or "bulk") orders are those orders placed by the Union for the supply of either goods or services which it is envisaged will be required at intervals over a period of one year or more and/or where the Union is required to agree to and sign a formal contract prepared by the supplier.

(vi) Contract orders should be the subject of a sourcing exercise involving at least three suppliers both before initial placement and before any renewal date

(vii) Where there is no alternative supplier or for other acceptable reasons competition has not been sought, an explanation shall be noted on the Purchase Order requisition and retained for audit purposes.

6.2.5 Single Sourcing

Single sourcing occurs where there is only one supplier which is capable of supplying against a particular requirement. This is a situation which is to be avoided if at all possible. In some cases, particular attention to the broadening of specifications or the adoption of new specifications will result in more suppliers being able to satisfy a requirement. Where use of a single source is inevitable, care should be taken to ensure the best value for money is being achieved by checking the supplier's price list and terms and conditions.

6.3 The Tender Process and Terms and Conditions of Contract

Full details documenting all aspects of the formal tender process are detailed in section **xx** of this document.

6.4 Other Order Processing Considerations

6.4.1 Standardisation

It is the duty of all Union staff involved in purchasing activity to effect standardisation of products which will produce benefits in negotiating the most competitive terms, achieve value for money and simplify arrangements for repairs/services.

Fragmentation of ordering amongst a wide range of suppliers for similar goods/services reduces the scope for competitive negotiations and improving quality.

6.4.2 Equipment, Maintenance and Repair

Union-wide contracts for commonly used equipment should be used wherever possible.

In-house service and repair facilities should be developed where cost and/or other savings can be demonstrated.

7. Order Placement

7.1 All order placement will be carried out strictly in line with the procedures detailed in the Union's Financial Policy and Procedures. These regulations also cover the procedure for the pre-payment system and cash payment systems. Official purchase orders shall be issued for all goods and services except where there is a continuing liability as in the case of rents, rates and public utility supplies or for small cash purchases properly paid for out of petty cash accounts.

7.2 Terms & Conditions

All purchase orders must refer to the Union's Terms and Conditions of Contract. Purchase orders shall be made on appropriately authorised, official Union order forms. No other form of order shall be recognised by the Union.

7.3 Cash Purchases

Where a decision is taken to purchase from suppliers who require payment by cash or cheque at the time goods or services are ordered the following procedures will be followed:

- (a) An official order will be prepared in the manner described elsewhere in these procedures.
- (b) The Finance Manager will arrange for cash or a cheque to be made available.

Receipts will be required by in respect of purchases made under this procedure.

- (c) The spending department or section will ensure that all goods so purchased are properly recorded as having been received.

An official order may not be necessary for small purchases not exceeding £50 for each transaction but receipts must be produced in support of any claim for reimbursement. Cash purchases should only be considered in exceptional circumstances.

7.4 Prepayment

The policy of the Union is to discourage any prepayment to suppliers prior to receipt and verification of goods. Should this not be possible, formal checks must be carried out by the Finance Manager on the credit status of the supplier.

7.5 Orders for Goods and Services

The Union may refuse to pay invoices in respect of commitments for which no official purchase order has been placed. The use of covering orders (that is orders made out to cover invoices when they are submitted to the Union) is not permitted: orders are only to be raised in advance of goods or services being requested.

Orders should indicate clearly the nature and quantity of the goods or services required and any contract or agreed prices relating thereto.

At all times the most advantageous price shall be obtained in relation to the quality of the goods or services required. Official orders, Union note paper or any other document purporting to come from the Union shall NOT be used to obtain goods or services that are not chargeable in the Union's accounts.

Changes and amendments to purchase orders after dispatch are permissible. The changes to the purchase order must be carried out by the authorised officer only.

A record should be kept of the formal advice to the supplier.

Cancellations to orders must be effected in the following manner:-

- a) Written advice should be sent to the supplier with a copy of this and any confirmation of acceptance from the supplier kept as a record.
- b) Finance must be advised in writing immediately.
- c) Purchase Order request forms should be crossed and marked as cancelled signed by the authorised officer with the date of cancellation. This copy should also be retained with the documentation for audit purposes.

7.6 Service Rental and Maintenance Agreements

All service, rental and maintenance agreements for equipment shall be submitted to the Director of Governance and Compliance. Having confirmed that all terms and conditions are acceptable, Director of Governance and Compliance/CEO will sign the agreement on behalf of the Union. No other signatory is legally acceptable to the Union.

Each agreement shall be accompanied by an official purchase order.

When agreements have been signed, they will be returned to the department or section concerned.

8. Contract Administration

8.1 All Requisitioners are expected to ensure that they understand a supplier's conditions of contract. Deviations from the Union's standard terms and conditions should not be accepted without the approval of the Director of Governance and Compliance.

8.2 In the event of any legal, contract or general supply dispute arising, or appearing likely to arise, the advice of the Director of Governance and Compliance should be sought at the earliest opportunity. At all times, a careful record must be kept of communications with suppliers, particularly those by telephone.

8.3 Where an order is placed with a supplier which is likely to take some months to fulfil, it is advisable to institute formal and regular checks on the progress of the supplier to completion of the order. All correspondence should be retained particularly if financial penalties have been agreed for late delivery.

8.4 Any change in contract terms required by the Union or a supplier after order placement should be referred to the Director of Governance and Compliance.

9. Follow Up and Delivery

9.1 Expediting of Purchase Orders

It is the responsibility of each Requisitioner to expedite orders they have placed.

9.2 Regulation of Delivered Goods

All goods must be inspected on receipt. Delivery notes must be retained and signed and dated as evidence of checking the physical goods. When goods are being rejected, particular notice should be taken of time limits for advice to suppliers of rejection. This should be completed in a formal manner initially by telephone but always confirmed in writing.

Rejected goods should always be placed in an area where there is no possibility of usage or loss. Suppliers of rejected goods should always collect and re-supply at their own cost.

Any dispute arising from a supplier's attempts to charge in such a case should be referred to the Director of Governance Compliance.

10. Employees as Suppliers

10.1 Purchases by the Union from employees who are conducting formal business outside the Union, or from suppliers which are owned by an employee or a close relative of an employee, or in which an employee or close relative holds significant interest must be strictly controlled.

All prospective purchases where any of these circumstances apply must be referred to the Director of Governance and Compliance for approval.

11. Contract Documents

11.1 Every contract shall be evidenced by a written acceptance of a written offer and if, because of urgency or emergency any offer is made or accepted orally, such offer or acceptance shall be put in writing within two working days thereafter.

11.2 Every contract shall:-

- (a) Specify the work of services to be undertaken and/or the goods or materials or things to be purchased or sold as the case may be; and
- (b) State the price to be paid by or to the Union with a statement of discounts or other deductions; and
- (c) State the time or times in which the contract is to be performed or the duration of the contract; and
- (d) Be based, wherever practicable, upon a definite specification which shall be included in the contract.

12. General Conditions of Contract

12.1 The general conditions set out here shall apply to every contract or sub-contract made by or on behalf of the Union unless the paragraph in question otherwise provides.

12.2 The contractor shall not without the previous consent in writing of the Union transfer, assign or sub-let either directly or indirectly the contract or any part or parts thereof.

12.3 Every contract in relation to which a specification or code of practice issued by the British Standards Institution is applicable shall require as a minimum that goods and materials used in its execution and all the workmanship shall be in accordance with that specification or code of practice.

12.4 The Union may cancel the contract and recover from the contractor the amount of any loss resulting from such cancellation, if the contractor has offered or given or agreed to give to any staff member, Officer or Trustee of the Union any gift or consideration of any kind as an inducement or reward for placing the contract with the contractor.

12.5 Every contractor shall provide to the satisfaction of the Union such indemnities and such insurances as the Union may require.

12.6 All obligations and responsibilities placed upon the contractor in relation to the execution of works or services or the supply of goods or materials concerned either directly or indirectly or by reason of the Health and Safety at Work Act, 1984 or any other enactment relating to the contract in question and any regulations, orders, directions, rules or the like made under that Act or other enactment shall be observed and performed by the contractor.

12.7 No increase in the amount payable by the Union or decrease in the amount receivable by the Union unless approved by the CEO/Director of Compliance will be permitted except as specifically provided for in the contract in question.

12.8 All tender documents will include a statement that the Union, its staff and decision makers will not be susceptible to bribes or inducements.

13. Requirements to Obtain Tenders

13.1 Where the estimated value of any contract for the supply or sale of goods or materials exceeds £10,000 a minimum of 3 tenders shall be obtained

13.2 The CEO/Director of Governance and Compliance along with at least one Co-opted Trustee shall have the discretion to waive the requirement for tenders for the supply or sale of goods or materials or the provision of services which have an estimated value of between £10,000 and £25,000.

14. Procedures for Obtaining Tenders

14.1 All invitations to tender on a competitive basis shall state that no tender will be accepted unless submitted in either:

(a) A plain sealed package bearing a pre-printed label (supplied by the Union) or the word "Tender" followed by the subject to which it relates and the latest date and time for the receipt of such tender, or

(b) In a special envelope supplied by the Union to prospective tenderers and that tenders envelopes/packages shall not bear any names or marks indicating the sender.

14.2 The Union will maintain an Approved Suppliers List from whom tenders and quotations may be invited and shall keep these under frequent review.

14.3 Every invitation to tender or to apply for permission to tender shall state the nature and, where appropriate, the purpose of the contract or sub-contract, the place at which tenders or applications shall be submitted and the date and time before which tenders or applications for permissions to tender shall be submitted.

Wherever practicable, this shall be not less than 10 days after the issue of invitations to tender.

14.4 Every invitation to tender shall:-

- (a) Indicate that the Union does not bind itself to accept or nominate the lowest tender, and
- (b) Give notice of all the requirements of any relevant specification, and
- (c) Give notice of the form of any formal contract or subcontract document which the contractor will be required to sign or execute.

14.5 No tender received after the time and date by which it is to be received or which contravenes any provision of this section shall be accepted except with the authority of Director of Governance and Compliance.

14.6 A record shall be maintained to show for each set of competitive tender invitations despatched

- (a) The name of all firms involved
- (b) The name of and number of firms from which tenders have been received
- (c) The date of which the tenders were opened

14.7 When tenders have been received under these procedures, the Union may either

- (a) Accept the lowest tender when payment is to be made by the Union or the highest tender when payment is to be made to the Union, or
- (b) If the Director of Governance and Compliance is satisfied that to do so is in the best interests of the Union, authorise the appropriate member of staff of the Union to negotiate with any tenderer prior to a final decision, or
- (c) If the Director of Governance and Compliance is satisfied that to do so is in the best interests of the Union, authorise the acceptance of a tender other than the lowest when payment is to be made by the Union or other than the highest tender when payment is to be made to the Union.