Procurement Policy

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<tr>
<td>QUERIES AND CLARIFICATION: JASON BALDARO (GLOBAL PROCUREMENT AND FACILITIES MANAGER)</td>
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<tr>
<td>OWNERSHIP AND ACCOUNTABILITY: JASON BALDARO (GLOBAL PROCUREMENT AND FACILITIES MANAGER)</td>
<td></td>
</tr>
<tr>
<td>TEL: +44 (0)208 780 7552 / EMAIL: <a href="mailto:Jason.baldaro@vsoint.org">Jason.baldaro@vsoint.org</a> / LYNC: <a href="mailto:Jason.baldaro@vsoint.org">Jason.baldaro@vsoint.org</a></td>
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</tr>
<tr>
<td>OVERALL GLT LEADERSHIP RESPONSIBILITY: PAUL GREEN (DIRECTOR FINANCE - VSO)</td>
<td></td>
</tr>
<tr>
<td>TEL: +44 208 780 7692 / EMAIL: <a href="mailto:paul.green@vsoint.org">paul.green@vsoint.org</a> / LYNC: <a href="mailto:paul.green@vsoint.org">paul.green@vsoint.org</a></td>
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1. INTRODUCTION AND PURPOSE

1.1 SCOPE AND APPLICATION - COMPULSORY ACTIVITY

This policy applies to procurement of goods, contracts, products, works, projects, advisory / consulting and services, regardless of source of funding. All staff involved in procurement or authorising of goods and services must comply. Specific processes and procedures are provided in a separate document (Click here to view).

Managers are expected to use good business judgement, common sense, intelligent decision making and exercise caution when making purchases. Areas not covered, must be referred, and no manager can adopt a different role, methodology or deviate from policy due to local restriction or unusual sets of circumstances without specific written approval from Global Procurement and Facilities Manager (link here).

1.2 POLICY OVERVIEW, PURPOSE AND GENERAL PRINCIPLES

As a leading charity VSO has considerable reputation, social, institutional, political and community influence. At the heart of our policy are our values, charitable ethos and ethics. Compliance to VSO code of conduct is compulsory by all employees, volunteers, associates, contractor’s, consultants and business partners. They must protect VSO’s good name, perform their duties, act appropriately in their dealings and not compromise VSO’s position of trust, honesty and integrity.

The policy ensures control of expense and cost effective procurement, but also provides a level of strategic freedom and local initiative through divisional choice within a devolved budgetary system. The objectives are:

1.1.1. Fulfil our mission: To enable VSO to deliver maximum resources to front line programmes
1.1.2. Value for Money: To reduce and control VSO cost base through decentralised decision making underpinned by a strong centralised support service
1.1.3. Corporate Social responsibility and ethical trading: To adhere to appropriate legislation (Click here to view) Government regulations and VSO policies and environmental values
1.1.4. Demonstrate effectiveness: To track and record activity in a clear and transparent manner to prove to funders, donors and partners, we have achieved due diligence and designated outcomes.

1.3 BEST VALUE TO VSO AT ALL TIMES

Procurement principles are designed to obtain best value for VSO in our trading and buying activity. Best value is far more than cheapest price; it balances product/service quality, longstanding relationship, best fit with VSO needs and long term value. Employees are expected to act in the best interests of VSO at all times. Any gains from trading activity must benefit VSO. No personal benefit (beyond the use of the service itself) to an individual is expected.

1.4 CONSOLIDATION OF CONTRACTORS AND SUPPLIERS

VSO will consolidate services/goods and contract providers to reduce the number of orders, invoices, and administration, as well as attract greater discount. We will create a limited set of advisors and consultants who understand VSO culture giving them in-house expertise, reducing the time taken to familiarise themselves with VSO ethos and operating methodology and thus reduce the time to complete the contract.

Selection will be based upon merit, compliance with specifications, terms and conditions, delivery and fulfilment, quality, and capacity to perform adequately. Competitive bidding will be used to drive pricing down from rival bidders. Suppliers will be regularly re-evaluated by local managers alongside the Procurement Team.
1.5 REQUEST TO CHANGE POLICY AND LOCAL EXCEPTIONS

Every attempt has been made to ensure compliance and conformance to specific Country requirements. VSO global policy should incorporate and respect country specific political legislation, statutory laws and regulatory environments. VSO country managers must familiarise themselves with local legal issues, interpret VSO policies and place them in the context of the local operating environment.

Any areas not covered by policy, including areas of conflict or domestic preference stated by a donor or beneficiary, must be advised to the Procurement Team to approve any local amendments. This must be done prior to taking any unilateral action contrary to policy. The same applies to procedures with a detrimental effect on operational or organisational objectives.

2. OBJECTIVES AND ROLE OF GLOBAL PROCUREMENT TEAM

WHEN TO INVOLVE PROCUREMENT AND FACILITIES

Reporting directly to the Finance Director, the Global Procurement and Facilities Manager has multiple functions, including support, advise, compliance, research, planning, reporting, assessment and market place evaluations. Where purchasing is straightforward and common sense he/she will act as a guide and resource support to establish proper process. In more complex situations, or where value and scale are great, he/she will lead the process, have a prominent role or take joint responsibility.

It is the local country management team’s responsibility to undertake the initial evaluation, analysis and justification of the purchasing project or activity, including the estimated cost, review of cost benefits, justification of revenue or capital expenditure and impacts on operations resourcing. However, they may seek advice and estimated figures/contract cost to help build the business case for presentation and authority.

Each project has a logical point of engagement with the procurement team; it can only be defined within operational context. Once authority is received and the expenditure approved, it is for the country management team to identify that point and liaise at the earliest possible stage in the decision making process to jointly agree the roles and responsibilities. There are two channels for communicating the decision:

- GLT/Finance department purchasing decisions will be communicated for project time/resource/logistics planning via the Finance Director.
- Operational communication: the project manager responsible for the purchase of goods or services will advise the procurement team and request their involvement in the process.

Whether or not the Finance Director is involved, it will always be the responsibility of the country management team to advise on the commencement of the project.
3. PROCUREMENT POLICY COMPLIANCE THRESHOLDS

3.1.1 THE PURCHASE TO PAY CYCLE FOR ALL EXPENDITURE BELOW £1000

**Small value goods can cost more in administration and management resource to review through a procurement process – such goods can be noted and agreed in advance with Procurement and facilities manager. Local offices must consolidate requirements, placing a minimum order above £50 to gain better price and economies of scale.**

3.1.2 UNDER £50 OR LOCAL EQUIVALENT (OFF THE SHELF GOODS)

| Authority level: Local Manager | Minimum Number of quotations: 1 |

3.1.3 DIRECT CONTRACTING / ONGOING PURCHASES

| Authority level: Local Manager liaising with procurement and facilities manager | Minimum Number of quotations: 1 |

Procurement and facilities manager can agree to a country manager contracting without competitive bid or marketplace benchmarking. An existing arrangement can be extended due to standardisation / compatibility with existing equipment / proprietary equipment obtainable from only one source, essential equipment related to health and safety or insistence of equipment or services by a government (a force account) as the only practical choice of supplier. Such agreements require clear rationale and detailed justification.
3.1.4 INFORMAL QUOTATION (PURCHASES UNDER £500)

| Authority level: Regional Manager or equivalent with Procurement and facilities manager advice | Minimum Number of quotations: 2 (or annual contract) |

Quotations can be obtained by telephone / email / internet / vendor’s web portal like www.Kelkoo.co.uk, www.pricerunner.co.uk) / face-to-face meeting. Verbal quotations must be verified in writing (screen shots from price comparison sites are acceptable). Sufficient detail must be obtained, to avoid additional cost (e.g. delivery) without prior agreement. A record of the quotes, analysis and comprehensive bid summary must be saved to a DMS folder, with a link sent to the procurement inbox.

3.1.5 INFORMAL QUOTATION (PURCHASES UNDER £1000)

| Authority level: Regional Manager or equivalent level with Procurement and facilities manager confirmation | Minimum Number of quotations: 3 |

Sufficient detail must be obtained, to avoid additional costs (e.g. delivery) without prior agreement. A record of the quotes, analysis and comprehensive bid summary must be saved to a DMS folder, with a link sent to the procurement inbox.

3.1.6 QUOTATION (PURCHASES BETWEEN £1000 AND £20,000)

| Authority level: Director or equivalent with Procurement and facilities manager joint authority | Minimum Number of quotations: 3 |

A formal, written, request for information (RFI) or quotation must be made and all suppliers given the same details. Quotations must be submitted on the prospective supplier’s company stationery. A record of the quotes, analysis and comprehensive bid summary must be saved to a DMS folder, with a link sent to the procurement inbox.

3.1.7 TENDERING (PURCHASES OF £20,000 AND ABOVE)

| Authority level: GLT with Procurement and facilities manager and regional recommendation | Minimum Number of quotations: 3 |

This must be managed through formal strategic tender process. Managers may decide to run a tender process under this value to satisfy specific requirements, where the impact is wider than a single department, or where a donor is sensitive. VSO does not enforce a sealed tender process (unopened until the deadline), however this is often the most transparent method. It is also important to check whether this may be a compulsory requirement of the donor providing the purchasing funds. Full support and guidance is provided via the Procurement Team.

3.1.8 CALL OFF CONTRACTS AND FRAMEWORK AGREEMENTS

These provide goods or services at pre-negotiated rates, without needing quotation or negotiation. They have already been subject to competitive tendering in agreement with or by the Procurement Team. They must be used in preference to any other arrangement and orders may be placed directly with the supplier. A full list of these framework agreements and preferred suppliers can be found on the procurement SharePoint site here.
4. RESPONSIBILITIES, AUTHORITY LEVELS AND DELEGATION

4.1 CONSEQUENCE OF NON COMPLIANCE

Any VSO employee exceeding authority or spending limits will be subject to scrutiny by the Procurement Team and recommendations will be provided to the relevant senior manager or GLT member. Failure to adhere to policy, use contracted suppliers or conduct an appropriate competitive tender processes will result in:

- An initial warning with a reminder to utilise the contracted supplier in the future.
- On a second occurrence, disciplinary action and withdrawal of power to authorise expenditure.

Where non conforming purchases are made via personal expenditure to be reclaimed from VSO, the investigation will be finalised prior to reimbursement and include comparison against the cost though centrally negotiated contract. The refund will be, at the rate that would have been paid had the contract been used.

It is not permitted for staff to break down contracts for the same services or goods, into separate invoices to avoid a level of signature authority. If separate contracts are necessary and the total value exceeds the overall authority level, the manager must advise the procurement team of the total cost of the collective contract.

VSO will not be obliged to finance contracts which are not compliant to Policy and will terminate any deemed to have been mishandled or misallocated if the bidder makes claims that are proved to be impossible, withdraws, or is unable to meet health and safety or quality standards.

5. COST MANAGEMENT AND REDUCTION

5.1 BEST VALUE/PRICE/WHOLE LIFETIME COST

VSO is committed to obtaining value for money in all procurement activities through open competition and transparency in selecting suppliers and contractors. The main criteria will value for money. Whenever the choice of supplier is not lowest cost, this must be justified in a written document attached to the contract report.

Projected cost for products, equipment and services must include “lifetime” cost; warranties, servicing, maintenance, consumables and ongoing contract management. A sustainability test must review wider impacts and legacy costs (committing VSO over a number of years or limiting future competitive tendering options).

5.2 NOT BUYING – SAVING MONEY AND LEASING

VSO’s policy is not to spend if it is unnecessary, does not contribute to our strategy or support our operational activities. Lease contracts run over a predefined number of years with a commitment to a third party finance company. Discontinuing such an agreement may incur financial penalties equal to the full contract value. Leasing may only be used, following prior agreement from the Finance Director and Procurement Team.

6. GLOBAL PRICING AND VALUE

6.1 BENCHMARKING

VSO operates a combination of centralised and local purchasing appropriate to the trading environment. The procurement team will act as the coordinator for all strategic purchasing activity. Local managers must use central contracts where in place and are responsible for targeting suppliers and market testing to add information to the procurement team’s supplier data base. Services and goods will be benchmarked at 6 distinct levels:
6.1.1. **Local**: departmental or business unit purchasing
6.1.2. **Regional / Intra regional**: purchasing by the regional centre on behalf of local country or by adjacent countries obtaining best price
6.1.3. **Inter regional**: Purchasing from other countries or regions
6.1.4. **Global**: central purchasing
6.1.5. **Partnership sourcing / 3rd Party / consortium sourcing**: Buying with other NGO / Charities
6.1.6. **Government / Local government / Agency sourcing**: Using CCS

In specialist / technical areas the needs of the operational department will determine the specification and the Procurement and facilities manager will support negotiations and arrange competitive quotes.

7. **Risk and Insurance**

7.1 **INSURANCE / INDEMNITY / GUARANTEES AND WARRANTIES**
Complex contracts may require indemnity insurance/ guarantees or warranties by suppliers, in such instances, terms and types of insurance should be clearly defined.

7.2 **RISK**
No contract should be agreed which exposes VSO to financial / operational or reputational risk. It is the responsibility of the local country manager to liaise with Procurement and facilities manager for advice.

7.3 **FIRMS UNDER SANCTION/EXCLUSION**
VSO operates no exclusion policy in its own right. Bidding firms or countries under sanction of political or economic nature must be noted by the local management team and details advised to the procurement team for consideration and advise. The [Supplier Questionnaire](#) is designed to capture this information, as is the [Ethical Review](#).

8. **ADMINISTRATION/RECORD KEEPING AND AUDIT**

8.1. **DATABASE RECORDS**
The local country manager is responsible for ensuring written record of all contracts are maintained for audit, and all supplier details must be added to either the UK Supplier Database (for UK suppliers) or the Global Supplier Database (for Federation and Country Office Suppliers). Any locally held databases should mirror this information precisely. The procurement team will be the ultimate decision maker on whether change is necessary. All record must be kept for a minimum of 5 years in keeping with VSO’s Archiving and Records Management Policy.

8.2. **EXTERNAL INTERNAL AUDIT / TRANSPARENCY AND SCRUTINY** *(Click here to view)*
The audit team and procurement team will review the purchasing activity of all countries for time to time. Regular period end reviews of open purchase orders will be made and prompt actions taken to resolve and close them off.
10 ETHICS / IMPARTIALITY / CONFIDENTIALITY

10.1 CONFLICTS OF INTEREST

Staff must adhere to ethical procurement policy and anti corruption and Criminal Practices Policy relating to conflicts of interest, hospitality, inducements, gifts in kind, bribery and collusion before making purchases.

Under no circumstances should a VSO employee accept money, fee, commission, credit, gift’s gratuities, things of value or compensation or anything that offers indirect or direct personal gain, financial benefit or attempt to secure unfair advantage. Any gift, entertainment or favour must benefit VSO, and must first have written approval from the procurements and contracts manager. Professional samples, promotional materials and Courtesy gifts under £10 (e.g. pencils, calendars) may be accepted.

Managers must immediately advise their line manager and Procurement and facilities manager of any conflicts of interest or personal involvement of themselves, family members or friends with any provider or bidder for contacts and must discontinue trading with firms that make such offers. Impropriety will be reviewed by GLT and considered against staff conditions of employment.

VSO will terminate contracts or classify a firm ineligible as a provider, where there is evidence of conflict of interest (political, ethical, commercial or personal), fraudulent or illegal practice, misrepresentation, collusive or cartel bidding, coercive or obtrusive practice, or deliberately falsifying records. A firm is in conflict of interest if:

- Providing services or buying goods from an affiliate that it directly controls. Not including consultants or contractors working in a collaborative manner.
- A firm submits two separate bids under separate title
- A close business or family relationship with a staff member directly involved with the tender, unless specifically reviewed and agreed by the procurement team.
- It has conflicting organisational ethos, aims or strategies

10.2 WHEN TO INVOLVE VSO’S ETHICAL FUNDRAISING COMMITTEE

VSO is conscious that it must behave responsibly and ethically in all areas of its work and business, and the procurement of goods and services is no different. The Ethical Fundraising Committee is in place to ensure that as an organisation we work only with partners, businesses and organisations that hold themselves to the same standards that as VSO, and that we in no way can be considered to be in partnership with businesses and organisations that are seen to be acting or behaving unethically, or have close links to other businesses or organisations that behave unethically.

However, in the area of purchasing or procuring goods or services, the Ethical Fundraising Committee acknowledge that it is not practical to vet or assess all suppliers, and therefore agree that the most realistic approach, and in order to maintain a cost effective and agile procurement process, is to set a threshold at which a service or goods supplier should be referred to the Ethical Fundraising for assessment. The threshold is currently set at £80,000 (27<sup>th</sup> November 2013) or equivalent in local currency – and this is total cost to purchase life cycle value, meaning estimated total cost of any contracted service within the contract period, or total cost if goods if straightforward purchase.

In addition to this policy, it is essential that all contracted suppliers complete and submit the Supplier Pre-qualification Questionnaire, as this asks potential suppliers to answer questions relating to their ethical background and credentials, as per the thresholds already stated in this policy.

Please follow this link to view the Ethical Procurement Guidance.
10.3 COURTESY

VSO personnel will be courteous and polite in all dealings with suppliers and service partners. There will be no favouritism.

10.4 COMMERCIAL CONFIDENTIALITY /NON DISCLOSURE

Details provided by or agreed with suppliers (including that relating to tenders, formats, templates, product information, costs contracts and pricing) are commercially confidential to VSO and the supplier, and must not be disclosed to, discussed with copied, communicated or shared with any 3rd party. Such activities produce loss of confidence in VSO, inhibit future benefits and damage supplier relationships. Suppliers must sign VSO’s Mutual Non-Disclosure Agreement, binding them to maintain confidence over the materials made available to them during the tender process.