



# PROCUREMENT POLICY

## Definitions

References to the “BID” shall mean the York BID Company Limited.

References to “Procurement” shall mean “all buying 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.”

The BID procurement policy provides guidelines for procurement and supplier management activities to be carried out. It applies to all directors, managers and employees of the BID in any situation where they are involved in:

- a purchasing process, whether as requisitions, specifiers, purchasers or negotiators;
- authorising expenditure or payments; and
- business interactions with suppliers on behalf of the BID.

Adherence to the Policy is both an individual and a corporate responsibility. The effective implementation of the Policy is dependent upon the active involvement, commitment and adherence from each person involved in procurement and supplier management activity. The Policy can only be revised or altered with the authority of the BID Board.

## 1. Policy objectives

1.1. The Policy commits the BID, and every individual involved in purchasing and supplier management, to use their best endeavours to ensure that all purchasing and contracting activities are:

- economically effective and provide best possible value;
- compliant with BID regulatory framework and legislation;
- legal; accountable and auditable; and
- ethically, environmentally and socially responsible.

1.2. In addition, the BID objective, so far as is possible, will be to only engage suppliers and contractors who subscribe to and operate on similar principles. The management of outsourced activities on the BID’s behalf are similarly expected to abide by and promote these principles. The following elements of these objectives are non-negotiable:

- a) Legality (refer to 3 below);
- b) Accountability and Auditability (refer to 5 below).

The remaining objectives may create conflicts and require trade-offs but the procedures that derive from this Policy are designed in part to provide a framework within which such conflicts can be managed in a legal and accountable manner.

## **2. Legality**

2.1. Purchasing and contracting activity will fully respect and comply with all:

- applicable UK laws and regulations;
- applicable European Union laws, directives and regulations (including those governing Public Procurement, where relevant);
- relevant laws and regulations of other territories in which the BID operates, or from which we source; and
- international laws, treaties and agreements to which the UK Government is party (including, for example, any United Nations approved trade sanctions).

2.2. There are no circumstances in which it is permissible for the purchasing activity or those engaged in it to consciously break, or knowingly risk breaking, applicable laws.

2.3. The BID will not knowingly be a party to the evasion of income, sales, corporate, value added or other taxes, customs duties, or other charges, anywhere in our supply chain.

## **3. Code of Conduct**

3.1. The BID is committed to the fair and effective application of all laws and regulations. There is therefore a positive duty on the BID and its employees to report and refer any and all reasonably founded suspicions of illegal activity e.g. attempts at corruption or bribery, evidence of anti-competitive or cartel like activity, breaches of employment or environmental law.

3.2. The Policy supports, protects and where possible preserves the anonymity of 'whistle-blowers', inside or outside of the BID, who act in good faith, even if their suspicions should subsequently prove to be unfounded.

3.3. The BID and its employees will give full co-operation to legitimate authorities investigating such claims. That specifically includes the duty to ensure that any conceivably relevant documentation is preserved and made available, even if such documents could be construed adversely to the interests of the BID or its employees.

## **4. Accountability and Auditability**

4.1. There are no circumstances in which it is permissible to requisition or buy goods or services or commit the BID expenditure 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.

4.2. The BID 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;
- the methods adopted in accordance with the procedures below, (or any variation from procedure, with clearly defined reasons) to procure the requirement, with all relevant documentation;
- the source of supply;
- the compliance or otherwise of the goods or service, and of the supplier or contractor, with the requirement as specified in the contract or other agreement;
- all actions taken to remedy any defect as recorded above, and the results; and
- the route by which payment was authorised, and when, to whom and in what sum any payment(s) were made.

The above is the minimum requirement and there will be other procurements for which much more detailed accountability is required.

4.3. It is fundamental to this Policy that, subject to any procedures for low-value purchases, the requisitioner, the buyer, negotiator or contractor, and the authoriser of payment, will be different persons, all identifiable within the records maintained.

4.4. All records should be maintained for a minimum of 7 years and comply with the Data Protection Act in the UK and any other relevant laws and regulations in which the BID operates, or from which we source.

## **5. Ethical, environmental and social responsibility**

5.1. Beyond the requirements of law and other regulations that procurement and supplier management professionals are bound to observe, the BID has obligations to the wider community in respect of Corporate Social Responsibility (CSR).

5.2. Ethical, environmental and social responsibilities very frequently conflict, both between themselves and with other objectives, such as that of economic efficiency. Where significant conflicts do arise those involved in the procurement may be required to show (and record as set out above) that due consideration and weighting has been put on these issues and a diligent evaluation process has been undertaken prior to any commitment being made.

5.3. The sourcing of less costly labour and resources is a pivotal aspect of the Procurement function, but the BID will not support sourcing where minimum standards are compromised.

5.4. Where observance of such minimum standards is absent, the BID will work with the supplier to improve the situation, by way of a specific remedial plan with deadlines for correction of any non-compliance identified. All contracts must make it clear that continued non-compliance is likely to be held to justify termination of the contract without further warning or redress. This option will be used, despite any short-term disruption it may threaten to the supply chain.

#### 5.5. The BID will:

- purchase, wherever possible, goods and services that can demonstrate a lower overall (life-cycle) environmental impact;
- actively engage with suppliers to reduce environmental impacts for example by reviewing material specifications, packaging requirements, and transport channels; and
- treat and trade with all actual and potential suppliers and contractors fairly, equally and objectively.

5.6. All reasonable attempts will be made to assist suppliers to overcome difficulties and/or to improve their performance for the BID.

5.7. Exclusion of a supplier or termination of a contract is, except in extreme circumstances such as financial failure, illegal activity, sustained non-performance or breach of contract, to be regarded as a last resort.

### 6. Economic effectiveness

The BID expends a considerable portion of its revenues on bought-in goods and services, and procuring such goods and services in the most economically effective manner, subject to the legal, ethical and other constraints outlined above.

### 7. Risk management

7.1. The utilisation of resources outside the BID, and the dependence on an external supply chain, exposes the BID to a wide variety of risks. A significant function for the procurement structure of the BID is to identify and mitigate the likely impact of such risks to the BID.

7.2. For all significant expenditure and long-term agreements formal risk assessments will be undertaken, as appropriate, addressing the following risks resulting from the non-performance or poor performance of a supplier or contractor:

- market – arising from the financial demise of a supplier or contractor or mergers and acquisitions that may change the market conditions in the short or longer term;
- demand - arising from requisitioners ordering too much, too little, or the wrong goods or services, relative to the actual need;
- process - 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 - arising from deficiencies in internal processes and procedures - including, but not confined to, procedures mandated in this document;
- environmental - the impact of hazards arising from ecological 'neglect', however arising; and
- social – arising from issues related to Corporate Social Responsibility such as Human Rights.

7.3. Whilst risk assessment can be subjective it is nonetheless required that where a significant risk is identified, the nature of the risk shall be identified and communicated to BID Board Members, BID Management and relevant stakeholders, together with possible mitigation strategies, alternative solutions or contingencies.

## 8. Procurement Guidelines Towards Major Capital Expenditure

The main objective of procurement is to obtain the best quality products and services possible at the best price to ensure the York BID delivers its mandate. The procurement procedures presented in these guidelines are not applicable in the day to day running of the York BID operations and its services that are currently provided. It is kept simple to ensure the company is able to make decisions efficiently and without bureaucracy.

### Key Principles:

- Transparency correctness and fraud prevention – the funds are used in an honest, transparent way and with responsibility.
- Equal Opportunities – all suppliers should be treated equally and where possible look to source products or services locally.
- Ensure that the goods, works or services contracted are in line with the provisions to deliver the York BID mandate.
- Directors are to declare any interest or, make Board aware of any relevant information that may affect the overall decision.
- The guidelines are not to jeopardise or put BID employee's in a situation where it is not able to deliver its mandate.

### Value of Quotation

Where the *Total Value* for a purchase is within the values in the first column below, the *Award Procedure* in the second column must be followed.

<b>Total Value</b>	<b>Award Procedure</b>
Up to £20,000 – Mid level	One quotation confirmed in writing. Good practice would be to obtain more than one quote.
Over £20,000 - Major	There should be evidence that the BID has researched the market to identify at least three different suppliers and obtained a quotation from at least one in writing.

A caveat to the above is that it should be noted that in some circumstances only a sole supplier is able to carry out a project or event. Examples of this may be;

- a public realm infrastructure project that can only be carried out by the local authority or its approved contractors;
- a commercial supplier that holds a market position with no competitors e.g. a local commercial radio station, or an event supplier that holds the rights to a specific event.

### Award Procedure

- Any minor quotes of up to £5,000 can be awarded by the Exec Director.
- Any mid-level quotes of up to £20,000 can be discussed and awarded at a Board sub-committee level.
- Any major quotes of £20,000 and above can be initially discussed at either Board sub-committee or full Board, but must be ratified by the full Board before contract award.
- At times the board will need to seek consultancy advice on quotations that involve technical advice to ensure the correct legal procedures are followed.

## Quotations

All Quotation must:

- Specify the goods, service or works that are required, together with the terms and conditions of contract that will apply.
- State that the York BID is not bound to accept any quotation.
- Quotes must be issued with the same information and where appropriate must be like for like.
- The company's decision is final and not obliged to provide any reason for its decision.

## Authorisation of Payments

- **Payments** will ordinarily be set-up by the Executive Director.
- **Payment Authorisations** will be verified by Board members from the Finance Sub-Committee in line with the below authorisation levels.
- **Bank Security Device Authorisation** will be completed by the Executive Director and HPH Accountants in line with the below authorisation levels. HPH will only complete security device authorisation once appropriate written verification from Board members have been received.

## Authorisation levels

### **Low level: Under £5,000**

Items below this trivial level could reasonably be authorised by one person, either the Executive Director or a Board Director. In practice this would be the Executive Director due to his day-to-day involvement in the Company. There would be an element of checking the validity of payments being made as HPH would require sight of the documentation to support all payments in order to prepare the bookkeeping.

The Executive Director's out of pocket expenses will be recorded and checked as part of HPH reconciling and production of accounts.

### **Mid-level £5,000 - £10,000**

Payments within this range should require authorisation of two people, either the Executive Director and one Board Director, or two Board Directors. In practice we envisage this being The Executive Director making the payment and requesting authorisation from one of the Directors. The Board Director is then the main control that the payment being made is legitimate.

HPH Accountants will process the payments using the bank security device once they receive written verification from the Executive Director and one Board member.

### **High level Over 10,000**

- For payments over £10,000 we recommend the approval of two Board Directors. The Executive Director will have been involved in dealing with suppliers and/or contractors while their work was being done/services performed, so two individuals who are more detached from the day-to-day process (two Directors) will give more segregation of the authorisation process.

- The Executive Director will set up payments and ask for authorisation by 2 x Board members. Once HPH Accountants receive this written verification, they will use the bank security device to process the payments.

### **Contract Authorisation**

- Contracts up to £5,000 can be signed by the Executive Director.
- Contracts up to £20,000 can be signed by the Executive Director providing 1 x Board member has verified this in writing.
- Contracts over £20,000 require signatures of 2 x Board members.

### **Due Process**

- HPH accountants will meet with the Executive Director monthly to reconcile invoices and expenses with bank payments.