

Document Ref	QP036	Document Title	Procurement Policy			
Owning Department	Finance	Effective Date	20-Aug-18	Review Date	20-Aug-19	

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## 1 Purpose

This document sets out the policy and authorisation procedures that are required for the acquisition of all goods and services by London & Partners. Their purpose is to ensure that London & Partners:

- Obtains value for money
- Maintains a high level of probity and financial control
- Meets its contractual obligations to the GLA as set out in the Grant Agreement
- Promotes greater environmental sustainability

## 2 Scope

This policy applies to everyone and, because of the reasons highlighted above, failure to comply with it may be dealt with under London & Partners' disciplinary procedures and, in serious cases, may be treated as gross misconduct.

## 3 Responsibilities

The day to day responsibility for adherence to these procedures rests with the Managing Director, Operations & Governance. The ultimate responsibility rests with the Board who are responsible for setting the procurement thresholds and authorisation limits.

## 4 Principles

- All financial commitments must be accommodated within the available budget
- All procurement must be conducted using the appropriate procurement route
- Purchases must not be sub-divided simply to avoid the application of the thresholds
- All financial commitments must be authorised in advance by the budget holder or their manager in accordance with the appropriate authorisation threshold
- 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

## 5 Process

### 5.1 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 must be agreed before the order is placed and must be recorded on the purchase order. The purchase order must be raised and approved before the order is placed with the supplier.

### 5.2 Thresholds and Minimum Requirements

There are two sets of thresholds: those relating to the procurement route (see table 1) and those relating to the authorisation of the purchase order or contract and payment (see table 2).

### 5.3 Procurement Route

Please refer to the process flow in Appendix 1. A link to the online version with hyperlinks can be found [here](#).

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). However, since VAT cannot be recovered on all London & Partners purchases you will need to allow for it in determining the total budgetary requirement. 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 able to provide the goods or services. In such

cases you should seek advice from the Managing Director, Operations & Governance on how best to proceed. Exemption from thresholds will only be granted in exceptional circumstances. The rationale and approval must be captured using the [Exemption From Threshold Form](#) (see Appendix 2) and stored in the Exemption from Threshold area [here](#). Approval is by the CEO or Managing Director, Operations & Governance.

Contracts in excess of £50,000 require a [business case](#) to be prepared and approved by the Management Committee, Corporate Board or Outcomes Board (based on which is the next forum in the calendar) 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. Refer to QP035 Staff Travel & Expenses Policy which can be found using the [Policies & Procedures index](#).

There is a checklist available which you can use to ensure that you have fulfilled the requirements of the Procurement route you require – see Appendix 3.

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**Table 1: Procurement Route**

Purchase / Contract Value	Minimum Requirement	Communication & Evidence
Purchases up to £5,000 (Individual purchases, or aggregate purchases with a single vendor within a one-year period)	A purchase not greater than £5,000 may be made without obtaining competitive quotations if the employee making the purchase determines that the price for the purchase is reasonable	Documentation e.g. email quote relating to the purchase must be held for audit purposes. Save in the Quotes folder which can be found <a href="#">here</a> Purchase order on Nav Commitment Record entry
Between £5,001 and £50,000 (Individual purchases, or aggregate purchases with a single vendor within a one-year period)	3 written quotes must be obtained	Quote documentation must be stored in the Finance area of the shared drive for audit purposes Save in the Quotes folder which can be found <a href="#">here</a> Purchase order on Nav Commitment Record entry
Between £50,001 to £100,000 (Individual purchases, or aggregate purchases with a single vendor within a one-year period)	Tender required Business Case required to be approved by the Managing Director and the Management Committee, Corporate Board or Outcomes Board; whichever is first in the calendar / most relevant	Purchase order on Nav Commitment Record entry RFP must be stored in the Finance area of the shared drive for audit purposes Save in the Tenders folder which can be found <a href="#">here</a> Business Case must be stored in the Finance area of the shared drive for audit purposes Save in the Business Cases folder which can be found <a href="#">here</a>
Between £100,001 to £150,000	Tender required	Purchase order on Nav Commitment Record entry

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<p>(Individual purchases, or aggregate purchases with a single vendor within a one-year period)</p>	<p>Business Case required to be approved by the Managing Director and the Management Committee, Corporate Board or Outcomes Board; whichever is first in the calendar / most relevant Business Case to be approved by the Chairperson</p>	<p>RFP and decision rationale must be stored in the Finance area of the shared drive for audit purposes Save in the Tenders folder which can be found <a href="#">here</a> Business Case must be stored in the Finance area of the shared drive for audit purposes Save in the Business Cases folder which can be found <a href="#">here</a></p>
<p>Above £150,001 (Individual purchase, or aggregate purchases with a single vendor within a one-year period)</p>	<p>Tender required Business Case required to be approved by the Board</p>	<p>Commitment Record entry RFP and decision rationale must be stored in the Finance area of the shared drive for audit purposes Save in the Tenders folder which can be found <a href="#">here</a> Business Case must be stored in the Finance area of the shared drive for audit purposes Save in the Business Cases folder which can be found <a href="#">here</a></p>

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#### 5.4 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 (see Table 2). Purchases must not be sub-divided simply to avoid the application of the thresholds.

**Table 1: Minimum authorisation requirements**

All approvers must be named on the authorisation list which can be found [here](#).

Purchase / Contract Value	Authorisation Required for Purchase Orders and Payment of Invoices
Up to £5,000	Budget Holder as authorised
Between £5,001 and £10,000	Chief Representative or Director
Between £10,001 and £25,000	Director
Between £25,001 and £50,000	Managing Director
Between £50,001 and £100,000	CEO or Managing Director, Operations & Governance
Between £100,001 and £150,000	CEO or Managing Director, Operations & Governance and the Chairperson
Over £150,001	CEO or Managing Director, Operations & Governance and the Board. The CEO will authorise POs and invoices on behalf of the Board after Board approval of the Business Case.

#### 5.5 Creation of Purchase Orders

A purchase order must be created before an order is placed with a supplier. Payment of an invoice will not be processed if an approved purchase order is not in place or the purchase order is not quoted on the invoice.

Certain individuals, as approved by their heads of department, 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 Financial Controller.

To create a purchase order, Log on to Microsoft Dynamics NAV and complete the London & Partners purchase order form. The purchase order is then sent to the relevant authoriser for approval if it is higher than the authorisation limit for the person who has raised the purchase order. A more detailed guide on 'Raising a Purchase Order' and 'How to Approve a Purchase Order' can be found [here](#).

At the same time, those responsible for the budget must also ensure that the relevant Commitment Record is updated to include the order. These records are established by the

finance department but it is the budget holder's responsibility to ensure that they are kept up to date.

Where a purchase order involves a supplier that has not been used before please complete the appropriate New Supplier Form and submit to Finance. Consider whether a new supplier is necessary or whether an existing supplier can be used instead.

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

#### 5.6 Invoice Authorisations

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 over £150k if the board has previously approved the Business Case and there have been no significant changes. These will be approved by the CEO.

Suppliers must be instructed to send invoices to [supplierinvoices@londonandpartners.com](mailto:supplierinvoices@londonandpartners.com). The accounts payable team will then send them to the budget holder to be approved before payment. If an invoice is received in another department, please pass it to finance. The invoice detail must be added to the Commitment Record entry before requesting payment.

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

#### 5.7 Receipts of Goods and Services

Goods and services delivered / provided to London & Partners must be checked:

- against the purchase order to ensure that the goods or services were ordered and that the order was correctly approved and the correct price has been charged
- to ensure that any goods received are in good condition and that any services have been completed correctly. Any damaged goods must not be accepted
- against 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

#### 5.8 Recognition of Liabilities

Liabilities will be recognised on receipt of goods or services.

#### 5.9 Quotes

All quotes must be saved [in this area](#).

For written quotes the following steps must be taken:

- Identify suppliers. Consider evaluation criteria such as product specification, price, prior experience, references or recommendations. Consider using existing supplier as well as new suppliers
- Provide suppliers with a written brief. The same information must be given to all suppliers
- Invite suppliers to submit quotations in writing
- 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
- Quotations and a note on why the winner was selected must be held on file and attached to the purchase order. Quotes must be saved [in this area](#).
- When the preferred supplier has been selected, a procurement contract must be produced. In most instances this will comprise no more than a London & Partners purchase order. However, in some cases a more detailed contract document must be produced for execution by both parties. In these cases please consult with the Managing Director, Operations & Governance to determine the most appropriate form of contract. In either case the purchase

document must be authorised in accordance with the minimum authorisation requirements as set out above. Contracts must be saved [in this area](#).

## 5.10 Tenders

Where the estimated total lifetime cost is over £50,000 formal tenders must be invited in line with the guidance below.

### 5.10.1 Inviting Tenders

- A list of suppliers must be drawn up. 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 CEO or Managing Director, Operations & Governance. This approval must be documented and saved in the Tender Documentation library which can be found [here](#).
- 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 lost.

### 5.10.2 Request for Proposal (RFP)

An RFP must be drawn up using the template which can be found [here](#). The RFP must comprise of 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

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.

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.

Names of suppliers invited to tender must not be circulated to invitees because it may encourage collusion.

The Managing Director, Operations & Governance and the Director, Finance must be made aware of an RFP before it is sent out to prospective suppliers.

### 5.10.3 Evaluating Tenders

Following the opening of the tenders they must be evaluated in accordance with the agreed evaluation criteria. Evaluation must 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 must be stored in the [Tender Documentation folder](#) by the person who has led the tender process.

All prospective suppliers going through the tender process are subject to a credit check by the Financial Controller. Suppliers must not be selected prior to this check.

### 5.10.4 Awarding a Contract

When the preferred supplier has been selected, a contract must be produced for execution by both parties. You must consult with the Managing Director, Operations & Governance to agree the most appropriate form of contract. Legal advice must be obtained where appropriate. Click [here](#) for more information.

The [L&P contract templates](#) must be used wherever possible as these have been subject to legal reviews.



The purchase document must be authorised in accordance with the minimum authorisation requirements as set out above.

General guidelines for standard contracts are listed below:

- **Determine the Parties to the Contract**

There are two parties to most contracts, often a buyer and a seller. Make sure the contract accurately identifies the parties. A common error is to use the name of a person representing a party rather than the proper name of the party. For instance, if your business is a corporation and is entering into a contract to purchase equipment, make sure the contract identifies the corporation as the purchaser, not you personally. If you sign a contract in your individual capacity, rather than as the authorized representative of the entity, you are personally "on the hook" and you have lost the limited liability that was likely one of your reasons for forming the entity in the first place. Never blur the distinction between you and the entity you own or represent.

- **Make Sure the Contract Clearly States the Rights and Duties of the Parties**

This is the heart of any contract. The contract should specify what each party will do and when they will do it. Many contracts require one party to provide goods or services in return for payment from the other party. A good contract clearly states what goods or services will be provided and when and how the other party will make payment. For instance, if your business contracts with a website design company to build a website make sure the contract specifies all the features that the website will contain. In many construction contracts, the parties will actually attach or incorporate the specifications and architect's drawings so they become part of the contract. Ambiguity invites disputes. Make sure the contract clearly defines all relevant terms, leaving no room for misunderstanding. An experienced contract lawyer can help you identify and clarify ambiguous terms.

- **Determine What Remedies the Contract Contains for Breach of the Contract**

A business generally enters into a contract holding a good faith belief that each party will uphold its end of the bargain, but sometimes this does not happen. The contract should specify what remedies will be available to one party if the other party breaches the contract. Generally, if one party breaches the contract, the other party is entitled to seek damages and/or a court order directing the other party to perform his end of the bargain (specific performance). In some instances, the parties contemplating entering in a contract know that damages may be difficult to determine; in such cases, the parties sometimes include a 'liquidated damages' clause; a clause that specifies in advance the amount of damages one party will be entitled to if the other party breaches the contract.

- **Specify How Disputes Will Be Resolved**

Disputes may be resolved by litigation, mediation, or arbitration. Mediation is a non-binding process where the parties try to resolve their dispute with a mediator's help. Each party pays 1/2 of the mediator's fees, so specify that the mediation will last no more than (X) hours. Arbitration is a binding process where the parties tell their stories and the arbitrator makes a ruling. Arbitration can result in a quick decision, but the right to engage in discovery is limited and you may not be able to issue subpoenas or take depositions. Arbitration often favours "the big guy" over "the little guy" because it limits the ability of "the little guy" to obtain documents he needs from "the big guy" to prove his case, and the upfront costs of arbitration are often greater than those involved in filing suit. A contract should specify which court will resolve any disputes; specify that the exclusive venue for any litigation will be in your county and your state.

- **Include a Merger / Integration Clause**

The purpose of a contract is to make sure there are no misunderstandings, but what happens when one party claims the other made oral promises not included in the contract. The Parol Evidence Rule prevents a party from contradicting the contract by use of evidence outside the contract, but the rule only applies if the contract is intended to be the final agreement of the parties, so a contract should contain a clause such as: "THIS AGREEMENT and any addendums that are signed by an authorized officer or director of the parties, correctly sets forth the final and entire Agreement between the parties. The parties intend this Agreement to be a complete and exclusive statement of their agreement. No Agreement or understandings shall be binding on either of the parties hereto unless specifically set forth in this Agreement and all prior communications are merged into this Agreement. No modifications of this Agreement shall be binding unless they are in writing and signed by the parties."

- **Make Sure the Contract Can't Be Assigned Without Your Written Permission**

People and businesses enter into contracts with other people and businesses because they trust the other party and believe the other party is able to do the job. But if that other party attempts to assign its rights under the contract to a third party, you may find yourself doing business with an entity you are not familiar with. For this reason, a contract should specify that neither party can assign the contract without the written consent of the other party.

- **Consider Consequential Damages**

A party who has been the victim of a breach of contract has the right to seek damages from the breaching party. For instance, one party may seek the make the breaching party pay the costs incurred to repair or complete the work the breaching party was supposed to do. However, the law also recognizes something called consequential damages, which includes damages such as lost profits and lost revenues. A contract may specify that neither party may seek consequential damages from the other party. Such clauses are common in documents prepared by architects or contractors, for example. Such clauses greatly limit the exposure of the architect or contractor, but may not be in the best interest of the other party. I am reluctant to advise my clients to agree to such waivers; if the other party is worried about its potential liability for consequential damages that party should seek appropriate insurance rather than attempt to limit the damages the other party may seek.

- **Address When and How the Contract Will Terminate**

A good contract should make clear when the contract will terminate. The parties may want the contract to remain in effect until terminated by one party. Or they may want it to terminate on a specific date or upon completion of a specified task or the happening of a certain event. Does the contract allow the parties to terminate the contract at any time, or does it require that the terminating party notify the other party in advance of its decision to terminate the contract? Sometimes a contract will specify that either party can terminate the contract without cause on thirty days written notice to the other party, but that either party can terminate the contract for cause immediately. These are the types of issues to consider when draft termination language to be included in a contract.

#### 5.10.5 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 a member of the Management Committee or the Chief Executive as appropriate. Methods of monitoring will 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

#### **5.11 Promoting Greater Environmental Sustainability**

London & Partners is committed to promoting greater environmental sustainability by including environmental aspects when considering the choice of goods and services to be purchased. In particular London & Partners will, wherever practical and economical, seek to follow the Mayor's Green Procurement Code and:

- 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
- Source green, renewable energy supplies, and energy efficient equipment and machinery;
- Ensure that goods purchased do not have an adverse effect on the environment, and comply with EU and international trading rules
- Purchase organic and Fair-trade food and drink where practicable
- When travelling, ensure that a mode of travel is chosen which minimises the impact on the environment

## **6 Change History**

Document has been transferred to the new template

Threshold limits updated

Job titles updated following restructure

New 'Exemption from Threshold' process added

Checklist added to aid users in confirming that they have completed all required steps

## **7 Training Requirements**

All staff to read the policy and confirm their understanding.

## **8 Appendices**

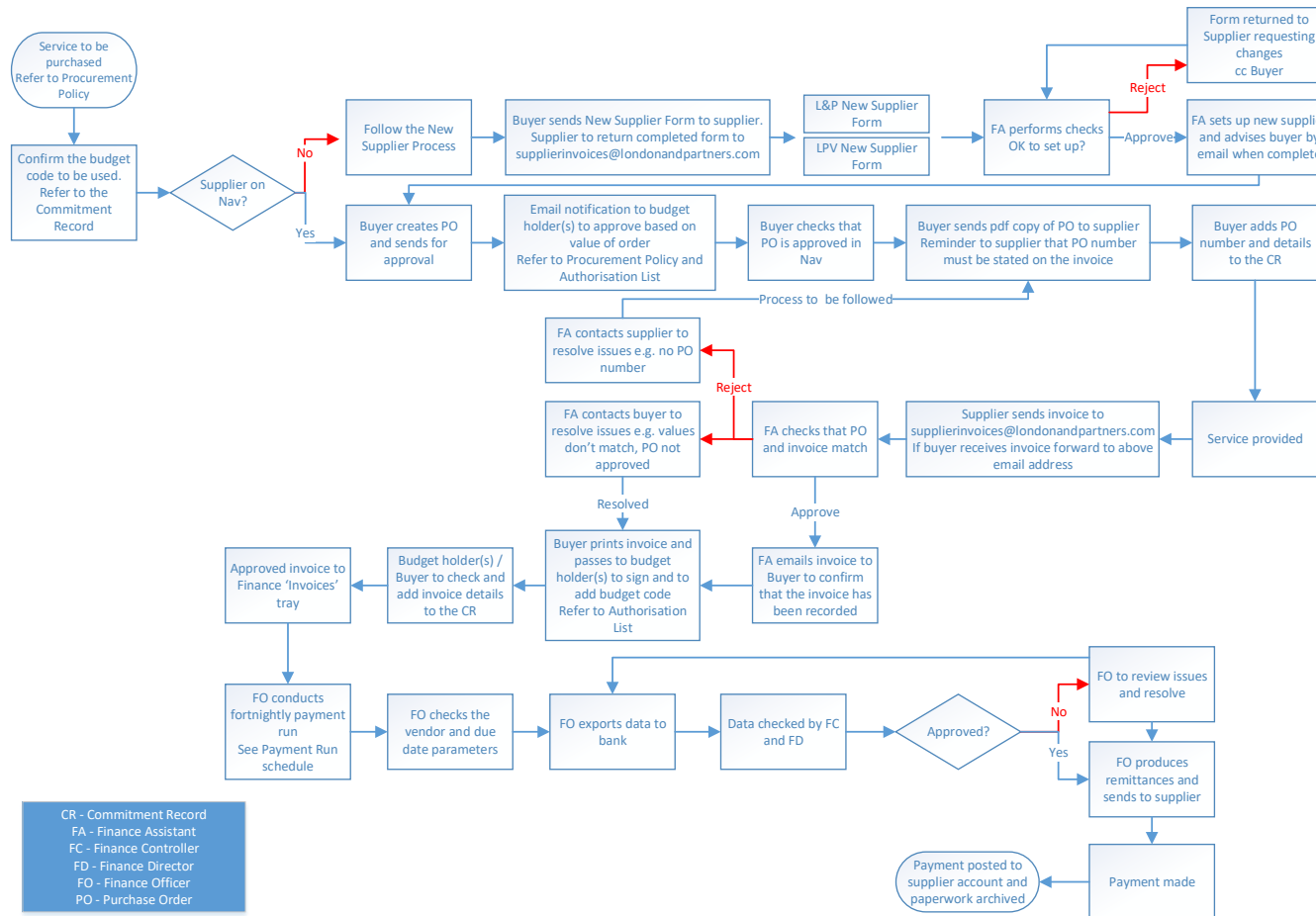
Appendix 1: Purchase Order and Invoicing Process Flow

Appendix 2: Exemption from Threshold Form

Appendix 2: Procurement Route Checklist

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## Appendix 1: Purchase Order and Invoicing Process Flow



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Appendix 2: Exemption from Threshold Form

<b>Name</b>		<b>Date</b>	
<b>Purchase Value</b>		<b>£</b>	
One off / multiple purchases expected (delete as appropriate)			
Details of Procurement (what, why, when)			

Requirement		Tick when completed	
If 3 quotes not obtained explain why here			
Signature		Date	
Approved by			
Approved by			

Appendix 3: Procurement Route Checklist

To be completed and saved for audit purposes

<b>Purchase Value</b>	<b>£</b>
One off / multiple purchases expected (delete as appropriate)	

<b>Requirement</b>	<b>Tick when completed</b>
Quote obtained	
3 Quotes required?	Yes / No
3 Quotes obtained and saved in Finance area	
If 3 quotes not obtained explain why here	
Tender required	Yes / No
RFP prepared and sent out	
RFP and decision rationale saved in Finance area	
Business Case required?	
Business Case sent to Director, Operations & Governance	
Business Case approved	
Business Case saved in Finance area	
Credit check performed by Finance	