



MST Procurement Policy

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| Review Date: | Annually in spring as part of the review of the Financial Procedures Handbook. |
| Policy Version: | 4 |

| Version | Reviewed | Changes since last version |
|---------|------------|--|
| 1 | March 2019 | <ul style="list-style-type: none"> • New policy |
| 2 | March 2020 | <ul style="list-style-type: none"> • EU procurement threshold change January 2020 • Minor change post titles. • We use Lloyds Bank procurement cards not GPC. |
| 3 | March 2021 | <ul style="list-style-type: none"> • Brexit – Public Contracts Regulations • New Lloyds procurement card for MUTC |
| 4 | March 2022 | Public Contracts Regulations 2015 - Procurement threshold limits change from January 2022 |

This policy has been adopted by the Mulberry Schools Trust and will be applied to all schools which belong to the Mulberry Schools Trust.

This is an extract from the MST Finance Policy and Procedures handbook which is reviewed by MST annually and which governs all finance practice across the Trust.

ORDERING & PURCHASING

3.1 Effective Procurement and Value for Money

Schools must seek to achieve efficiencies and value for money in the goods and services they procure, to optimise the use of their resources and to invest in teaching and learning, taking into account the purchasing and contracting requirements herein set out.

It is for school heads and governors to determine at school level how to secure optimum value for money. There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to be more efficient.

Quality - the most critical element of any procurement is ensuring that we purchase a fit for purpose good or service. For higher value procurements (those over £1,000) you should draw up a specification that outlines exactly what is needed. It is important to consult widely, taking comments from all those who may be affected by the procurement, as what you think is needed or what has been purchased before may not still be what is required. Ensure that the item or service you are buying is of 'sufficient' quality to meet the school's needs.

Schools must follow the following key principles when procuring any goods or services:

- Be open and transparent – allow bidders to understand what you are going to do and how you are going to do it;
- Be objective and ensure equal treatment of those making tenders – allow all bidders a fair and equal chance of winning the contract;
- Be consistent – do what you said you were going to do.

3.2 Expenditure Limits

Schools should obtain prior approval from the LGB or relevant Trust Committee/Board for all expenditure above the delegated authority given to the Headteacher / Principal.

With the exception of purchases made through Framework Contracts (see below), the following limits apply:

- No specific number of quotations is required for purchases totalling less than £1,000, although the school should be able to demonstrate value for money. An official order must be however be completed.
- Two or more written quotations are required for purchases totalling between £1,001 and £10,000. An official order must be completed.
- Three or more written quotations or tenders are required for all expenditure above £10,001. An official order must be placed.

Remember that with all procurements the threshold is defined by the total amount spent under a contract, not the initial purchase or contract value. Thus, if you contract for a sum that is just under a

threshold and your requirements then increase so that the total rises above the threshold, the increase will require an additional procurement activity. Ensure that you select a threshold that is high enough to cover all anticipated needs. If a contract has a minimum term, say three years, then it is the total liability over the term of the contract that defines the contract value.

In circumstances where it has not been practicable to obtain the required number of quotations (e.g. where one or more suppliers have refused to quote), the reasons for not doing so must be reported to the LGB or the relevant Committee/Board of the Trust

3.3 Single Tender Action

A single tender action is where multiple proposals are not sought from the market. A single tender action is only permitted when:

- Specialist expertise or product is required and is only available from one supplier;
- The goods/services to be provided consist of parts for/repairs to existing proprietary equipment, where such parts/repairs are specific to that equipment;
- Works, supplies or services are urgently needed for the immediate protection of life or property or to maintain the immediate functioning of the school;
- The service is essential to complete a project and arises as a consequence of a recently completed contract/assignment, where engaging a different supplier for the additional service would be inappropriate/not cost effective; or
- The funding/grant provider has specifically stipulated that a particular supplier or procurement procedure be complied with for the goods/services that are being procured.

In all the above cases, a business case must be approved. A template: single tender action form is provided in **Appendix 1**.

Single tendering still requires a tender document, or a request for proposal to be drawn up to reflect the school's requirement and the supplier must be approached in the same way as if a full complement of tenderers were being given the opportunity to bid for the work.

3.4 Lloyds Procurement Cards

The Trust currently has two Lloyds Bank procurement cards – one at MSfG and one at MAS. In addition, a card has been ordered for MUTC and it will be in use from March 2021. Each procurement card is assigned to an individual cardholder who has personal responsibility for its proper operation, in accordance with this regulation and the school's procurement card policy. Procurement cards must not be used for private use. (See Appendix 2 for controls).

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The Headteacher / Principal is responsible for ensuring that all staff assigned a Procurement Card are operating procedures such that:

- Cards are safeguarded from theft and misuse.
- Expenditure incurred through the use of procurement cards is bona-fide, lawful and in accordance with the requirements of the service
- Expenditure is within budget limits
- There is a clear audit trail of approval and reconciliation for all expenditure.

3.5 Leasing

An operating lease is the only type of lease a school can enter into. These leases involve the school paying a rental fee for the hire of an asset for a fixed period of time, and are similar to a rental agreement. Finance leases must not be entered into by the school as these are a form of borrowing.

The features of an operating lease are:

- ownership remains with the leasing company providing the finance;
- there is no option to buy at a price below market value;
- the term is fixed and should not represent the major part of the economic or useful life of the asset involved;
- as a general rule of thumb, the whole cost should not exceed 90% of the value of the equipment

Schools should not roll over leases (i.e. settle a lease part way through the minimum term and refinance the settlement value under the new lease). In these cases the current lease is terminated and the settlement cost of this will be rolled over into the new rental agreement. The new rental contract will include the capital cost of the new equipment, the settlement from the previous contract (capital and interest) and the interest on the total amount of finance being provided under the new lease. This means the school is paying compound interest and the cost of the liability can quickly escalate.

The length of the lease should not exceed the expected useful life of the equipment. As a general rule, 3 years is the maximum rental period that should be entered into for reprographic equipment. Any contract over a length of 2 years requires approval by the MST Board and cannot be entered into by the school or LGB.

Schools are strongly advised not to enter into any form of lease without seeking the advice of the CFO of MST.

3.6 Public Contracts Regulations 2015

Following the UK's departure from the EU there have been some changes to The Public Contracts Regulations that govern procurement processes in the UK public sector and there will be some more to come.

Currently, UK procurement rules (predominantly the Public Contracts Regulations 2015) simply apply the EU Public Procurement Directive. The UK government issued a Green Paper in December 2020 on its proposal for future reform of public procurement. This consultation end in March 2021 with legislation expected in mid-2022.

From 1st January 2021, Find a Tender Service (FTS) was launched by the UK government and replaced the 'Official Journal of the European Union' (OJEU) as the UK's e-notification service where notices for procurements are now required to be published.

Very heavy penalties apply to contraventions of these regulations. It is thus essential that you undertake procurements in a compliant manner. Additional support and guidance is available from the Business Manager of the school or the MST CFO.

- New procurement thresholds for 2022 are now inclusive of VAT, effectively a reduction on the previous limits

– goods – £213,477 incl VAT (£177,897 excl VAT)

– works – £5,336,937 incl VAT (£4,447,447 excl VAT)

– most services – £213,477 inc VAT (£177,897 excl VAT)

The thresholds will be reviewed in 2024.

3.7 Framework Agreements

A framework agreement is an umbrella agreement that sets out the terms (particularly relating to quality and price) under which individual contracts (call-offs) can be made throughout the period of the agreement.

Frameworks are essentially contracts procured by other organisations, such as local authorities, central government departments or public buying organisations that schools and other public sector organisations can call off from.

Frameworks can offer the following benefits to school:

- Saves time as the competitive tendering procurement has already been carried out
- Suppliers on the framework will have been evaluated to ensure that they have the capacity, technical and professional ability and economic stability to provide the goods or services
- Lower prices resulting from the aggregated buying power of the wider public sector
- Balanced contract terms should have been negotiated that protect the interests of the school
- Contract management support is often provided by the organisation that awarded the framework agreement

To buy from a framework, depending on how the framework agreement has been structured, you may be able to go directly to a supplier or you may need to carry out a 'mini-competition' among the relevant suppliers on the framework. This is a much quicker and simpler process than procuring a new contract.

3.8 When Quotation Accepted is not the Lowest

Sometimes it is advisable not to accept the lowest quotation received. In these circumstances, schools must report the reason for the decision to the LGB or the Trustees and include it in the minutes of the relevant meeting.

It may be necessary for the school to demonstrate that it has achieved value for money in these circumstances.

3.9 Purchase Orders

Written (or computerised) orders ensure that the school has a precise record of what has been ordered, which can then be compared against items delivered. Official uniquely-numbered orders must be used for all goods and services except utilities, rents, rates and petty cash payments. In addition there may be other instances where a good or service is not being procured/bought, these can include (but are not limited to):

- Payment of student bursaries
- Contractual Financial contributions to other bodies (for example payments from MSFG to the Mulberry and Bigland Green Centre)
- Compensation payments

Where urgency requires a verbal order, it must be followed up as soon as possible with a written order. All orders should be stored in a secure location to prevent unauthorised access.

Orders should only be used for goods and services provided to the school. Individuals must not use official orders to obtain goods and services for their private use.

3.10 Authorising Orders

All orders must be signed by an approved member of staff. Authority to authorise orders must be aligned to budget management responsibilities and the relevant authorisation thresholds in the scheme of delegation for the School.

Schools must maintain a register of staff authorised to sign off orders, indicating what they are entitled to order and the budget(s) against which they are entitled to order.

The signatory of the order should be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision, and that the required quotations or tenders have been obtained, prior to authorising the order

Orders should be passed through to the school's finance officer. The school's finance officer will:

- Counter-sign the order.
- Record it as on the school's accounting system (thus raising a commitment entry).
- Send an official order to the supplier.
- Retain a copy on file.
- Return one copy to the budget holder as confirmation that the order has been placed.

Where a member of staff intends to buy goods or services using personal funds, prior approval from the appropriate budget holder must first be obtained, using an appropriate form or a written approval, this would then need to be reclaimed through Petty Cash.

An expense to be reclaimed cannot exceed more than £100, if the amount to be reclaimed is over £25 this will be paid back to the member of staff via cheque and not in cash.

A receipt must always be produced by the member of staff when claiming back the expense.

See **Appendix 3a and 3b** for a sample purchase request forms. Please note that the Sage Finance System will also enable electronic order forms to be generated.

Should a member of staff purchase goods from their own funds without prior approval from an appropriate authoriser, no guarantee should be given for reimbursement.

Orders should include the following details:

- Specification of requirements
- Quantity required
- Name of school, delivery date and address. The address should always be the school's address
- Contact person's name and telephone number
- Date of issue
- All relevant prices and quotations, including any VAT elements
- Name and address of supplier and suppliers' reference, where applicable.

Orders should be filed with information on quotations sought, and any appropriate information on the need for the purchase.

Appendix 1: Sample Single Tender Request

Please Note: Single Tender Action should normally be avoided as it is contrary to achieving value for money through fair and open competition.

The following form **must** be completed whenever a request is made to seek an exemption from compliance with the Financial Procedures Manual for Schools' standing orders to obtaining quotations and tenders.

Single Tender Actions are only applicable to purchases over a total value of £1,000.

All sections of the form must be completed with as much detail as possible in order for a decision to be reached as to whether or not to grant the request.

No commitment should be made with the supplier before approval is granted by the Headteacher and a purchase order is raised.

It should be remembered that single tendering still requires a tender document, or a request for proposal to be drawn up to reflect the school's requirement and that the supplier is approached in the same way as if a full complement of tenderers were being given the opportunity to bid for the work.

SINGLE TENDER ACTION

| | | | |
|--|--|---|--|
| Requestor: | Date: | | |
| Department: | Ext No: | | |
| Supplier Name: | | | |
| Nature of Purchase: (details of goods / services to be purchased) | | | |
| Total Value of Contract/Order (incl. VAT) | | | |
| Engagement Terms one off purchase, 1 day/wk. for 4 wks., 4 weeks etc.) | | | |
| Reason(s) this supplier was selected: | | | |
| Which type of Value for Money is applicable (tick): | <input type="checkbox"/> Cost Avoidance | <input type="checkbox"/> Cost Saving | <input type="checkbox"/> Improved Service |
| | <input type="checkbox"/> New Service | <input type="checkbox"/> Increased Service Cover | |
| PLEASE INDICATE WHICH OF THE FOLLOWING REASONS JUSTIFIES THE WAIVER AND GIVE FULL DETAILS EXPLAINING WHY: | | | |
| Reasons for Waiver: | | Details: | |
| a) Specialist expertise or product is required and is only available from one supplier. | | | |
| The goods/services to be provided consist parts for/repairs to existing proprietary equipment, where such | | | |

| | |
|--|--|
| parts/repairs are specific to that equipment. | |
| Works, supplies or services are urgently needed for the immediate protection of life or property, or to maintain the immediate functioning the school. The service is essential to complete a project and arises as a consequence of a recently completed contract/assignment, where engaging a different supplier for the additional service would be inappropriate/not cost effective. | |
| The funding/grant provider has specifically stipulated that a particular supplier or procurement procedure be complied with for the goods/services that are being procured. | |

| APPROVAL | | |
|------------------|--------------------------------|---|
| Applicant (sign) | School Business Manager (sign) | Finance Committee / Governing Body (sign) |
| Name (print) | Name (print) | Name (print) |
| Date : | Date : | Date : |

Appendix 2: Procurement Cards

Introduction and background

The following procedures /actions are in place:

- All procurement card purchases are in accordance with the requirements of the service. Below are some examples of the types of transactions which the card may be used for:
 - Payment for travel which needs to be made in advance and where the only practical solution is to pay by card, for example Train and Plane tickets.
 - Suppliers who only operate online and offer a value for money service.
 - Payments for events or seminars where the supplier offers a discount rate for paying by debit card.
- Set a governor approved payment limit for purchases. This will be implemented through automated limits set with the card provider for:
 - Single transactions
 - Daily transaction totals
 - Monthly total transactions
- Where high value purchases are required that would breach set limits, prior authorisation will be obtained from the Chair of Governors. Limits will be adjusted for a fixed period only before reverting to the Governor approved limits.
- Review which member of staff would be best placed to be the designated card holder in order to provide continued rigour in the application of payment controls and enable the monthly purchase card reconciliations to be reviewed by a person of sufficient authority who is independent of the purchase and payment process, such as the Head Teacher.

Below are the controls in place:

Ability to withdraw cash – No cash withdrawal is available.

Thresholds for use – The transaction limits are in line with the scheme of delegation approval limits for the Headteacher. All the transactions paid for by the card will be authorised in advance by the Headteacher and so it is proposed that the same the limit will apply for the procurement card.

The proposed thresholds for use are as follows:

| | Approval limit | Authorised by: |
|---------------------------|----------------|--------------------|
| Single transaction limit | £10,000 | Headteacher |
| Daily transaction limit | £10,000 | Headteacher |
| Monthly transaction limit | £20,000 | Chair of Governors |

High value purchases

On occasion the transaction limits above will need to be exceeded due to a high cost transaction for which the only option is to use the Mulberry GPC (for example purchasing plane tickets for the UN visit to New York). It is proposed any changes to the limits above will only be changed with the express agreement of the Chair of Governors. After the Chair has agreed the transaction the Authorised Signatory

will contact the card provider and amend the card limit temporarily to facilitate the transaction. When the transaction is authorised the thresholds for use will be reinstated as soon as possible by the Headteacher.

Physical security of the card

The card will be held when not in use in the School safe. There are only two people with access to the safe; these are the Headteacher and the School Finance Officer. Where possible the card will not be removed from the premises unless authorised by the Headteacher.

There is a strict procedure in place for the members of staff who are able to physically use the card, the Personal Assistant to the Headteacher and the Executive PA to the Headteacher are the only members of staff who can use the card which needs to be formally signed out from the safe.

In addition an authorisation sheet containing all required details of the purchase (including the amount, company, the reason to use the card and the budget to be charged) is authorised by the Headteacher and the Chief Financial Officer before the card is used.

Card reconciliations

The monthly reconciliations for the cards use will be carried out by the Finance Officer and reviewed by the Chief Financial Officer. The Headteacher will also have oversight of and sign off on the cards monthly reconciliation.

Appendix 3A – Sample Local Purchase Request Form

STAFF TO COMPLETE:

Cost Centre
Name
Tel Ext

FINANCE TO COMPLETE:

Voucher No
Order No
Budget Exp Code

STAFF TO COMPLETE:

| Description | Quantity | Total |
|-------------|----------|-------|
| | | |

AUTHORISING OFFICERS TO COMPLETE:

Signed Cost Centre Manager

Signed (Bursar, Finance Officer, SAO as appropriate):

Does order value require Headteacher and/or Governor approval? YES/NO
If YES, record Headteacher signature or Committee Minute Reference:

Signature/Ref. Date:

STAFF TO COMPLETE:

I require cheque/cash reimbursement. (Delete as appropriate) If a cheque is required, please print name of payee.

Payee:

Please append a business case and/or details of quotes received for this purchase

Appendix 3B – Sample Supplies and Services Request Form

(SCHOOL NAME)

Supplier Name

Address

.....

Telephone No Fax No

STAFF TO COMPLETE:

Cost Centre Budget Holder

| Exp. Code | Item Code | Description | Price | Quantity | Total |
|--------------|-----------|-------------|-------|----------|-------|
| | | | | | |
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| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Grand Total: | | | | | |

Signed by Cost Centre Manager

.....

Date

Signed by SAO

Date

Order No