

**POLICY: Procurement and Value for Money**

**PURPOSE:** It is the duty of public bodies to spend taxpayer resources in the most effective way, achieving optimum results with received funds. Such funds are always limited. This policy sets out the factors to be considered in making procurement decisions such that best value for money is achieved.

**SCOPE:** All procurement decision-making carried out by the Melbourn Parish Council. This includes everything from minor items purchased with petty cash to major contracts.

**REFERENCE DOCUMENTATION:** This policy is written to clarify and enhance the principles already set out in (a) Melbourn Parish Council Standing Orders (Doc. No. 2.0, Section 18) and (b) Melbourn Parish Council Financial Regulations (Doc. No. 4.17, Sections 10, 11 and 12).

**POLICY:**

1. Policy Statement

It is the Policy of the Melbourn Parish Council that every pound is spent in the most effective way, delivering value for money on behalf of the residents of Melbourn. This commitment carries with it the resolution that all spend is properly considered and evaluated such that the financial resources available support both short and long term needs. Lowest cost does not necessarily mean best value for money. The commercial risks of purchase will be mitigated through application of this Policy.

2. Policy Objectives

- 2.1 This Policy is founded on the Nolan principles of public life - namely, Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. Effective management of public funds is central to these aspirations and to good governance.
- 2.2 To set out the Policy principles of best practice against this background.
- 2.3 To ensure that the processes adopted are in keeping with the magnitude of the financial risk in different situations and are compatible with other Melbourn Parish Council Financial Policies and the external legal framework.

## 3. Policy Principles

### 3.1 *Reducing Commercial Risk* – through:

- **Aggregation** – where possible combining the sourcing of supply to obtain best prices though volume purchased. A supplier certification process can help achieve this objective, as well as improving the security and quality of services received.
- **Competition** – to ensure that best prices and service is secured through competitive bids from several suppliers
- **Value for Money** – to benchmark what is required through a clear statement and description of what good or service is required.

### 3.2 *Specification of Requirements*

- A written specification, as a prerequisite to purchase, should be considered for all routine or non-routine purchases where significant sums are likely to be involved.
- The specification is required to help the Council define its needs. It will also communicate to the supplier what is wanted and enable a more effective and transparent assessment of competitive bids when received.
- A written specification must be clear, complete (covering all aspects of the good or service) and consider the wider objectives of the Council, such as sustainability, safety or environmental matters. It must be clear to the supplier that cost is not the only factor in deciding on purchase.
- The Clerk, a designated Committee or Full Council must agree written specifications at an appropriate level of authority, before requesting supplier bids.

### 3.3 *Approval of Suppliers*

- Approval (certification) of suppliers can be a major factor in delivering value for money and security to the purchasing process.
- Where a good or service is known to be required on a repetitive basis it is usually beneficial to consider the certification of a supplier or suppliers.

- Certification requires a basis of evidence that a supplier can be used without the normal full process of competitive bidding. This situation requires a significant level of trust and assurance between the supplier and the Council. Such a position should not be reached lightly or without proper approval at least at Committee or Full Council level.
- To gain approval a convincing case must be made. The evidence will include a number of trouble-free prior contracts, evidence of the supplier business stability and insurance status, together with knowledge of the skills and quality of employees. The certification of a supplier implies a relationship of transparency, integrity, respect and discretion.
- The advantage of certification for the Council is the streamlining of purchase decisions, knowing with confidence that work done remains value for money.
- The advantage to the supplier is that of an assured business relationship, provided there is no violation of the trust and confidence placed in them by the Council. If this trust is violated the supplier should know that this will mean the end of any future business.

### 3.4 *Competition*

- Competition between suppliers for Council business is central to the process of ensuring value for money.
- The need for competitive quotes will depend on the likely cost and nature of the purchase being considered.
- Unless a certified supplier already exists, all potential purchases over £500 should be subject to competitive quotation, normally striving to obtain three estimates. Purchases above £2000 should not be made without three quotations, unless one of the exceptions applies as set out in Melbourn Parish Council Financial Regulations (Doc. 4.17, Section 11.1).
- Unless the good or service required is clearly self evident potential suppliers should be provided with a written specification setting out what is needed, together with any limitations or conditions as may be appropriate.

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- There are three possible situations:
  - **Simple quotes** – possible suppliers are contacted by phone or email and asked for a good or service they are known to be able to supply. This would entail informal rather than formal deadlines and not require a particular format or constraints on the way the received quote was set out.
  - **Quotes to a Written Specification** – As above, possible suppliers are contacted by phone or email and asked for a good or service they are known to be able to supply. In this situation the supplier will be provided with a written specification detailing more exactly the terms of the quote and any constraints/special requirements. Again, this process would entail informal rather than formal deadlines but might well require a particular format or constraints on the way the received quote is set out.
  - **Quotes to a Written Specification for a Sealed Bid or via formal Tender** – The most formal version of requesting quotations using a fully developed written specification and detailed tender document that includes Council Terms of Business. This will apply where total contract value exceeds £25,000 in value. The response will be required in a particular format and by a defined deadline date and time. Quotes will be sealed and opened according to the Council Financial Regulations Document No. 4.17, Section 11. Advertising for quotes will include the print press and contract-finder websites. Full public transparency of the quote comparisons and resulting decisions is also required.

Tenders offered under the above arrangements would typically cover annual or multi-year contracts for maintenance or the placing of contracts for significant construction works.

**Document Approval:**

**(Chair to Melbourn Parish Council)**

**Date of Parish Council meeting:**

*Review Policy: Every 12 months*