

# **PURCHASING, PROCUREMENT AND INVOICING**

## **1. PURPOSE**

To detail Motability's policy and procedure for the purchasing and payment of goods and services from suppliers to ensure that expenditure is controlled and represents value for money.

## **2. SCOPE**

2.1 All staff who are authorised to purchase goods or services on behalf of Motability.

2.2 This policy excludes purchases which are funded from Charitable Grant Funds, Government Funds [SVF-P and SVF-D], Invalid Vehicle Services and Veterans Agency Grants Funds. Reference should be made to the Grants Procurement Policy.

2.3 Purchases which exceed £25,000 per annum are dealt with by the Tendering Policy.

## **3. POLICY STATEMENT**

3.1 Motability's policy on the purchase of goods and services and the payment of suppliers is based on three distinct principles: -

3.1.1 Integrity – Motability will deal with all parties on a fair and equitable basis to ensure that there is no private gain, favouritism or corruption involved in contractual relationships.

3.1.2 Accountability – All purchases made on behalf of Motability will be subject to proper authorisation and rigorous internal control procedures.

3.1.3 Value for money – Significant contracts must be placed on a competitive basis with the lowest tender or price accepted, subject to compliance with tender requirements and quality of service levels. Splitting orders and expenditure to avoid the tendering process is not allowed.

## **4. RELATED POLICIES AND PROCEDURES**

- 4.1 Use of Credit Cards
- 4.2 Authority Limits
- 4.3 Tendering
- 4.4 Receipt of Hospitality and Gifts
- 4.5 Fraud and Malpractice (Whistle-Blowing)
- 4.6 Code of Conduct

## **5. RESPONSIBILITIES**

5.1 All those persons referred to within the scope of this policy are required to adhere to its terms and conditions.

5.2 Individual Managers are responsible for ensuring that this policy is applied within their own area. Any queries regarding this policy must be discussed with the Finance Department prior to any action being taken.

5.3 The Finance Department is responsible for the maintenance, regular review and updating of this policy. Changes to the policy will require approval by the Executive Committee.

## 6. PURCHASING GENERALLY

6.1 Cost centre managers should always ensure that there are adequate funds available within their approved budgets to pay for any goods and services before the relevant purchase requisition or contract is authorised.

6.2 A number of specialist services and the majority of common consumables are negotiated and purchased by specific departments to ensure best value can be obtained by consolidating requirements. A list of such goods and services is shown at Appendix I, together with the relevant department to be contacted if any other area has a requirement for such items.

6.3 Suppliers should be informed that goods and services should not be despatched until they have received an authorised purchase order number from Motability. This can be sent electronically.

## 7. SELECTION OF SUPPLIERS

7.1 Where goods or services are required, consideration needs to be given to the following:

- Establish if there is an existing contract for the supply that can be used (existing approved contracts and the departments responsible are shown in Appendix I).
- Where there is no existing contract, then the requirement needs to be quantified in terms of the total one-off expenditure or the total expected annual expenditure. Where goods and services are to be leased, the equivalent annual value shall be based on the total cost over the life of the lease. Refer to the additional authorisation check at section 8.5.

### Requirements

7.2 Suppliers should be selected as follows:

#### Expected One-off or Annual Expenditure with a Supplier (Values exclude VAT)

|                                     | Under £2,500  |
|-------------------------------------|---|
|                                     | £2,500 to £25,000                                       |
|                                     | Over £25,000  |
| Selection                           | Approved supplier list or written quote                 |
|                                     | Approved supplier list or at least three written quotes |
|                                     | Approved supplier list or formal tendering process      |
| Financial Credit Check              | NO  |
|                                     | NO  |
|                                     | YES   |
| Authorisation for Supplier Selected | Manager   |
|                                     | Any one Director  |
|                                     | Any one Director and the Finance Director               |

7.3 Orders shall not be sub-divided to avoid the appropriate purchasing and approval processes.

7.4 Summary details of alternative quotes or tender information as appropriate (or the justification for no such information) shall be noted on those purchase orders which are valued at £2,500 or more, prior to submission for authorisation.

All quotations and related documentation should be filed for reference and audit purposes for a period of three years or one year after the end of the contract, if longer.

### **Exceptions**

7.5 Any proposed exceptions to these general requirements, e.g. for emergency or other reasons, must be approved in advance by the Finance Director and the Director.

### **New suppliers**

7.6 The selection of a new supplier will require Finance to set up a supplier account, to facilitate payment. The relevant form is Appendix II.

7.7 Details of new contracts should be added to the relevant department's contracts register held on the intranet (see Appendix III for format).

7.8 Contracts and variations to contracts may only be signed by Directors of Motability, unless the express agreement of the Director has been given for a delegation of authority.

## **8. INTERNAL PURCHASE REQUISITIONS**

8.1 An Internal Purchase Requisition form, Appendix IV, must be completed and authorised before any supplier is asked to actually perform the service or deliver the goods. For the delivery of goods and services throughout the year, the forms should cover the annual expenditure commitment which is forecast for that supplier and within budget.

8.2 The items to be purchased must be coded to the appropriate cost centre budget and the relevant account number must be inserted. The box requesting whether the formal Purchase Order should be sent to the supplier by the Finance Department should be completed. In some cases this will not be required where a contract already exists for example building rent and rates.

Requisitions must be forwarded in the first instance to the appropriate cost-centre Manager, who will ensure the necessary signatures for authorising the expenditure, as detailed in the Authority Limits policy, are obtained.

8.3 The Requisition is then forwarded to the Finance Department. It is recommended that Managers keep a copy of the requisition for their own reference. Internal Purchase Requisitions not containing complete information will be returned to the originator.

8.4 Where requirements change and/or prices are significantly (i.e. by more than  $\pm 10\%$ ) amended by the supplier, for justifiable reasons, a new purchase requisition should be raised to cover the new total amount, making reference to the previous requisition number and noting the justification.

8.5 All proposals to lease equipment or pay for services beyond a twelve month period shall be referred to the Finance Director, or the Finance Manager in their absence, for evaluation and approval in addition to the departmental authorisation process.

## **9. PURCHASE ORDERS**

9.1 The Finance Department is responsible for producing all Purchase Orders on receipt of a properly completed and authorised Internal Purchase Requisition.

9.2 The Purchase Order will be produced, allocated a unique sequential number and the accounting system will be automatically updated to show the commitment made.

9.3 Copies of the Purchase Order will be distributed as follows:

Originator

Finance

The supplier, where this requirement is indicated on the Purchase Requisition.

The Requisition will be retained in the Finance Department. It is advisable that a copy of the Requisition is kept by the originator and the copy of the order compared to ensure that no mistakes have been made.

## **10. RECEIPT OF GOODS & SERVICES**

10.1 When goods are received, the accompanying delivery note should be checked and signed (with name printed underneath the signature) to confirm that the goods are satisfactory and complete. The relevant purchase order number should be entered onto the delivery note for reference purposes.

The delivery note should then be retained by the department.

10.2 For goods received without a supplier's delivery note, confirmation of satisfactory receipt will need to be given by the recipient when the supplier's invoice is sent by the Finance Department for payment authorisation.

10.3 Where goods are short-delivered or services not delivered to requirements, Managers should not authorise full payment to the supplier. Payments should not be made in advance of goods or services being delivered to Motability unless the circumstances are authorised by a Director.

## **11. INVOICE APPROVAL AND PAYMENT**

11.1 Suppliers should be advised that for prompt payment, invoices need to be sent for processing directly to the Finance Department, with the purchase order number clearly shown.

11.2 The Finance Department will enter the invoice into the invoice register and send to the cost-centre Manager for their signature, to approve payment on the basis that the goods/services have been received and are satisfactory and that pricing agrees with the authorised Purchase Requisition.

11.3 Where an invoice is received without an authorised Purchase Requisition having been received and the cost-centre Manager has authorised for payment, the invoice needs to be countersigned by the relevant Director, regardless of value. Statistics on the number of invoices received without Purchase Requisitions being raised will be maintained by Finance.

11.4 Once approved, payment will be made by BACS or cheque normally within thirty days, following receipt of the Invoice.

Any preferential terms must have had the consent of the Finance Director and have been discussed and approved in advance.

11.5 BACS payments and cheques are authorised in accordance with the cheque signatories listing detailed in the Authority Limits policy

It is the responsibility of signatories to check the supporting documentation (e.g. Invoices, Purchase Orders and Delivery Notes) and to satisfy themselves that the payment is in order, before signing.

11.6 Where suppliers provide statements, these should be reviewed to identify any invoices which have not been received, and copies requested from the supplier.

11.7 Where suppliers submit late payment demands, the Finance Department will take the necessary action to investigate and resolve with the budget holder, keeping the supplier advised of progress.

## **12. CONFLICTS OF INTEREST**

12.1 Staff involved in purchasing goods and services are required to notify their manager of an interest in a particular supplier or potential supplier, by way of a family or financial relationship.

12.2 Staff are required to declare any hospitality or gifts received from suppliers in accordance with the Receipt of Gifts and Hospitality policy.

12.3 Ex-members of staff who approach Motability as a potential supplier will be subject to the same process as all other suppliers being reviewed.

Date policy first issued: 15 March 2007

Date policy updated: 26 August 2009 - Requirement to annotate alternative quote information/justify if no other quotes. Lease decisions to be authorised by FD.