

NEWMAN UNIVERSITY

Value for Money and Procurement Policy Procurement Procedure and Obtaining Value for Money

Value for Money and Procurement Policy

1. Procurement

Procurement is the acquisition of goods and services ideally of the best possible quality at the best possible price.

2. Value for Money (VFM)

The attaining of Value for Money in procurement is one of the conditions of the University's funding by the Higher Education Funding Council. Although cost is a major factor, obtaining value for money is not judged solely on the basis of the initial cheapest price but on the lowest whole life cost to the University. Aspects such as maintenance, support costs, buy back values, design, delivery and reliability may justify a higher initial cost. Social and environmental factors may also be considered such as the use of local suppliers to reduce carbon footprint and to support the local community.

Value for Money is assessed by:

- Economy – minimising the cost of resources for an activity.
- Efficiency – obtaining as much as possible for what you put in.
- Effectiveness – a measure of the qualitative or quantitative impact/outcome achieved by the purchase.

VFM is high when there is an optimum balance between all three – relatively low costs, high productivity and successful outcomes.

3. Policy

To ensure that Value for Money is embedded within its procurement operations, the University will:

- Integrate VFM principles within all management, planning and review processes in accordance with the University's Financial Regulations.
- Seek to adopt recognised good practice.
- Promote a culture of continuous improvement and ensure that all members of staff recognise the need to seek VFM in all activities undertaken.

- Establish ways of demonstrating to internal and external observers that VFM is sought by the University by adopting the following formal reporting and monitoring mechanisms:
 - i. For spend in excess of £5K, to monitor and benchmark value gained from considering VFM via the production and collation of reports from procurement managers that quantify savings made by using the consortia or other independently sourced suppliers.
 - ii. Additionally, for spend in excess of £50K, specific VFM reports to be produced by managers for approval by the University Leadership Team before purchase can take place.
 - iii. An aggregated report drawn from the detail in the specific reports and monitoring activity to be submitted annually to the University Council (Audit Committee) to enable informed assurance to be given on whether the University has obtained VFM.

The Audit Committee will consider the development of a set of VFM driven KPIs or targets to assist in the ongoing monitoring and reporting of VFM.

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1. Obtaining Quotations and Tenders:

Purchase value	Action
Under £10,000	Budget holder has discretion to decide whether or not to obtain quotations but value for money should always be obtained
£10,000 to £20,000	The budget holder is required to obtain more than one quotation
£20,000 to £50,000	At least three written quotations should be obtained
Over £50,000	All items will require three competitive tenders and be reported to the Finance and General Purposes Committee

2. Suppliers

The University will always consider obtaining goods from appropriate consortia or shared services. However, aspects such as maintenance, support costs, buy back values, design, delivery and reliability may justify a higher initial cost and the use of other suppliers. Social and environmental factors may also be considered such as the use of local suppliers to reduce carbon footprint and to support the local community.

Where comparative goods or services can be obtained from consortia, then the consortia price can be considered as a quotation or as a comparative price.

3. Formal Reporting Mechanisms

Each year, the Audit Committee is required to assure the HE Funding Council that the University is achieving Value for Money (VFM) through its procurement process. This assurance will partially be achieved by internal audit reviews but also by formal internal reporting mechanisms.

3.1 Special Reports for spend or contracts worth over £50K

Individual VFM Reports must be prepared by managers in the following circumstances:

- i One-off major spend in excess of £50K.
- ii. Agreement to new major contracts with a value of £50K per year.
- iii. Renewing major contracts with a value of £50K per year.

VFM Reports should be written in accordance with the template attached.

VFM Reports need to be approved by the University Leadership Team before purchase or the signing of contracts. The role of the University Leadership Team is not to approve the spend but to confirm that the procuring manager has demonstrated and applied VFM principles. An aggregated report giving details of from the reports will be prepared by the University Secretary and Registrar for the Audit Committee.

3.2 Spend/contract valued between £5 and £50K

Each procurement manager must log the details of any spend (one off or contract) on a VFM spreadsheet to quantify financial savings for all purchases between £5,000 and £50,000. The spreadsheet requires a comparison between the actual cost and an identified benchmark cost. The benchmark cost should normally be a consortia price, a comparative price from a local supplier or the average price of quotations obtained – whatever is the most appropriate. Where direct financial savings have not been obtained, a code is required on the spreadsheet to show which VFM consideration in this case did not result in savings. A sample spreadsheet is appended to this policy together with guidance for its completion.

Spreadsheets for each academic year should be submitted to the University Secretary and Registrar by the following October to enable a report to be prepared for the Audit Committee of the University Council. Targets for financial savings in the following year may be set by the Audit Committee.

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