



PP1 - Post Office Procurement Policy

The purpose of this policy is to set out the way in which the Post Office will procure goods and services.

1 Introduction

Post Office spent in the region of £500m on goods and services from third parties in the financial year 2012/2013. From an operational and commercial perspective, the management of this expenditure is critical in achieving the profitability.

1.1 Policy objective

The purpose of this policy is to ensure all procurement and sourcing activities carried out by POL provide the best possible value, are executed in a fair, objective and transparent way, are compliant with Public Procurement Legislation, use best practice methods to achieve agreeable ethical standards and are aligned and support POL's Business-wide Strategies.

Compliance with the policy is mandatory for all directorates in Post Office.

1.2 Procurement definition

This policy addresses the principles of Procurement; Sourcing and Selecting Vendors; Authority to Contract, Authority to Order, Contract Management and managing excellent Vendor Performance at Post Office.

1.3 Scope of application

Only employees with delegated procurement authority are allowed to commit expenditure to third parties. Any other employee must not conduct any procurement activities unless specifically instructed by the Head of Procurement. In particular, employees who maybe engaged in procurement activities are required to familiarise themselves with the content of this policy and the other related documents PP2-PP4.

In the case of agencies and consultancies all contracted personnel working on behalf of POL shall be made aware of this policy and shall comply.

This policy does not apply directly to outsourced service providers or to suppliers; however, it does seek to ensure our outsourced service providers and suppliers must: support the governance of POL; mitigate the risks faced by POL; and support the quality of service we provide to our customers.

1.4 Compliance with this Policy

Compliance with this policy will be assessed by the Best Practice Procurement Team and reported annually to the Risk & Compliance Committee, and the Audit & Risk Committee as requested.

1.5 Policy Owner

The policy owner for this policy is the Best Practice Procurement Manager, who has:

- overall accountability and responsibility for setting and maintaining the Policy and for monitoring compliance with the Policy;

- responsibility for ensuring that the Policy remains up to date and relevant for the Post Office

1.6 Policy Revision

This policy must be reviewed and approved by the Post Office ExCo via the Risk & Compliance Committee on an annual basis. All revisions must be fully documented in the 'modification history' section of this document.

Relevant procedures must be updated to conform to the policy and updated within three months from the date of approval by the Post Office Board, and changes to the policy must be communicated to all relevant staff and those listed in the distribution section of this document.

2 Procurement Policy

2.1 Guiding Principles

Procurement shall be driven by the following Guiding Principles. In all procurement activities, POL shall:

- **Apply a Commercial Approach**; actively seek to promote competition in respect to goods & services purchased from third party vendors, and conduct purchasing activities in an objective manner, providing transparency and documentation as required.
- **Promote the adoption of performance specifications**, ensuring that goods and services are fit for purpose and provide effective and efficient commercial arrangements for standard products and services across the business.
- **Achieve sustained value** by achieving the best possible value and seeking continuous improvement
- **Establish effective governance and control** in the supply chain by conducting procurement activities in a manner that satisfies the requirements of internal control, fulfils POL's legal and financial obligations and effectively manages commercial risk
- **Create and maintain good supplier relationships** with key stakeholders recognising that to achieve the best possible value, strong relationships must be developed and managed with suppliers.
- **Meet the obligations of corporate social responsibility**, by considering social, ethical and environmental impact, promoting the adoption of appropriate HS&E standards and in writing specifications for the purchase, handling and disposal of goods.

2.2 Roles & Responsibilities

Procurement shall drive the procurement process, negotiate commercial arrangements, and govern the means by which procured solutions are delivered.

The Head of Procurement has the authority to delegate Procurement Authority to named individuals; the decision to proceed with expenditure shall be made by a responsible manager or committee under delegated authority. Overall, the authority to commit the company to purchase goods and services from a specific vendor rests with Procurement.

Procurement and its stakeholders shall undertake vendor selection in a manner that is fair, rigorous, transparent, objective, and in accordance with the strategy for the category of such spend. Competitive tenders shall be the vendor selection method of choice. Competition shall be administered in an open manner with contracts awarded on the basis of criteria established prior to tendering. The evaluation process used to make contract award decisions shall balance quality against cost to provide the optimum value for money outcome.

The spend level below which a formal Procurement contract is not normally required is £50,000, and this is outlined in the delegated authority policy; Spend of this type shall be dealt with by issue of a purchase order except where purchases <£2000 and these can be acquired via a CPC transaction, as outlined in PP4 Corporate Purchasing Cards Policy.

Procurement Projects and Awards >£1m in value, must be approved by the Head of Procurement and the Head of Legal Services at the following key stages: Sourcing Strategy, Vendor Selection and Contract Award. Failure to do so shall result in recording the process as non-compliant and may be subject to disciplinary procedures.

Lead Team

Category Leads shall sign off vendor contracts in accordance with delegated authority. Any Procurement that proposes amendments to the standard POL terms and conditions must also have approval from the Category Lead, and any Procurement exceeding £50,000 that proposes entering into entire agreements as an alternative to POL standard terms and conditions, must be reviewed for risk and obtain sign-off from Legal Services.

Procurement Category Teams

Procurement shall identify opportunities to deliver benefits to POL and seek opportunities to generate revenue or reduce costs presenting these to the business with appropriate strategies.

Category Teams shall work with internal stakeholders to support the definition of requirements, evaluate potential sources of supply and develop sourcing strategies. Using a Category Management approach they will seek to engage and consult at project inception to optimise business performance and protect the interests of POL; where feasible, engagement shall be at the due diligence stage and provide assistance with business cases.

Category teams shall work with key vendors to develop stable, long-term partnerships that produce mutual benefits; taking responsibility for vendor performance management and ensuring vendors meet the required standards of the contracts. In all instances, VPM or contract management undertaken by stakeholders, outside of procurement, shall be agreed by the relevant Category Lead, and in such cases stakeholders shall be responsible for providing feedback on performance and delivery at an operational level.

Category teams shall identify the level of management required for each vendor relationship to protect commercial interest, and include appropriate exit strategies. The eSourcing application shall be the mandatory system for VPM carried out within Procurement, and for providing performance statistics and analytics.

FSC Buyers

eProcurement is the mandatory system for ordering goods or services at POL. Irrespective of the technical solution available, requisitions shall be approved by Finance in line with the delegated authority limits and subsequently by Procurement. FSC Buyers shall be responsible for converting approved requisitions into purchase orders and sending these to the vendor, resulting in a contractual commitment.

2.3 Measurement and Monitoring

Compliance shall be collated periodically using spend and sourcing analytics extracted from POLs eSourcing and eProcurement systems and the sourcing council minutes, by the Best Practice team and reported to the relevant category leads and line managers. It shall be the responsibility of the line managers to deal with the instances of non-compliance within their category teams and raise any disciplinary actions.

2.4 Control

2.4.1 Delegation of Authority

POL shall maintain a documented delegation of authority for Procurement and only employees with delegated procurement authority shall be permitted to make a third party commitment on behalf of the Business.

2.4.2 Internal Controls

POL has internal controls in place over procurement activities that ensure there is:

- more than one person involved in and responsible for a transaction end to end
- transparency in the procurement process
- a clearly documented audit trail exists
- appropriate authorisations are obtained and documented

These internal controls are documented in PP2 Authority to Requisition, Procure and Pay Policy, Sourcing Council Delegated Authorities V3.0 and within the workflows in the mandatory eSourcing system.

POL is committed to upholding ethical and responsible business, and this principle shall be reflected in POL's relationship with its vendors. Procurement activities shall support handling of commercially sensitive or confidential information and ensure it is acquired, stored, processed and published appropriately, and in accordance with POLs Data Protection Policy V3 and Guidance on the Freedom of Information Act 2000.

In line with the Code of Business Standards & Post Office Anti-Bribery Policy, under no circumstances should a decision maker involved in a procurement decision, or a close family member, have a financial interest in the selected vendor, unless such involvement is disclosed and explicitly approved by the Head of Procurement. A conflict of interest may be real or perceived, but nonetheless should be managed to ensure that POL is and is seen to be, beyond reproach.

Reciprocal trading shall be strictly prohibited. Whilst contracts may be placed with vendors who are also customers, the decision to award a contract must be taken based purely on the commercial merit of each individual contract.

2.5 Risk Management

All procurement activities shall adhere to the Post Office Regulatory Risk (Compliance) Policy. Procurement shall ensure that risk management is appropriately applied at all stages of procurement activities. Guidance shall be made available to enable the Procurement team to employ POLs risk management principles.

Procurement activities shall be properly planned and carried out in a manner that will enhance POLs capability to prevent, withstand and recover from interruption to the supply of goods and services where commercially viable.

2.6 Subordinate policies

Subordinate policies may be required to ensure compliance with this overarching policy and should be drafted by the Best Practice Procurement Manager. Any such policies must be consistent with this overarching policy.

2.7 Governance

The overall governance of the policy sits with Procurement, with a regular audit from the IA team.

3 Accessibility

This policy and any subordinate policies are available on the Post Office intranet.

4 References

In this section, all the references to other documents should be mentioned, including:

Ref.	Document Name	Description	Location
1	Business Code of Conduct	Code of practice for sound management of businesses	Post Office Intranet /HR Advice & Guidance
2	PP2 – Authority to Requisition, Procure & Pay	Authorities within the process of acquiring goods & services on behalf of POL	Post Office Intranet /Policies & Guidelines
3	PP4 – Corporate Purchasing Cards Policy	Responsibilities & processes for card holders	Not issued
4	Sourcing Council Delegated Authorities V3.0	Authorities to enter in external agreements & approval of papers	Procurement
5	POLs Data Protection Policy V3	Supporting Data protection legislation in practice	Post Office Intranet /Policies & Guidelines
6	POL's Anti-Bribery Policy	Processes for avoiding fraud in the working practices	Post Office Intranet /Policies & Guidelines
7	Post Office Regulatory Risk (Compliance) Policy	Managing Risk at POL	Post Office Intranet /Policies & Guidelines

5 Glossary

The following table contains definitions for acronyms and terms used in (and specifically in the context of) this document:

Acronym	Definition	Term
eProcurement	The Core Finance System namely P2P	
eSourcing	The Sourcing System that provides eTendering capabilities	
ExCo	Post Office Executive Committee	
FSC	Finance Service Centre	
HS&E	Health, Safety & Environmental	HS&E Standards
IA	Internal Audit	IA Team
POL	Post Office Limited	
RCC	Risk & Compliance Committee	
VPM	Vendor Performance Management	

Version History

Date	Version	Updated by	Change summary
19/02/2014	0.1	Sara Hollingsbee	Initial draft
26/02/2014	0.2	Sara Hollingsbee	Draft for comments
04/03/2014	1.0	Sara Hollingsbee	Revision of Section 2

Document Location

Unissued.

Distribution

For Sign-off - This document has been reviewed by the following people:

Name	Title – Department	Date of Sign off
Colin Stuart	Head of Commercial Finance & Procurement	05/03/2014
Sujai Jayaram	Procurement Best Practice Lead	27/02/2014
	Risk & Compliance Committee	28/03/2014
	Executive Committee	22/04/2014