

BODMIN TOWN COUNCIL
Appendix to PROCUREMENT POLICY
PROCUREMENT PROCEDURES

1. What is the difference between Procurement and Purchasing

Procurement deals with the sourcing activities, negotiation and strategic selection of goods and services that are usually of importance to an organisation.

Purchasing is the process of how goods and services are ordered.

This table explains the differences between procurement and purchasing:

	Procurement	Purchasing
What is the end goal?	To identify company needs and fulfil procurement of those needs. Strategic Proactive Process	To arrange company expenditure and buy goods/ services for the company. Reactive Process
How goods/ services are assessed	More importance on an item's value than how much it costs.	More focused on price than value.
When it's deployed	Involved in the end-to-end activities needed to acquire all necessary goods and services.	Involved when it's time to buy goods and services.
Tasks involved	Everything from need recognition to sourcing, contact closure and record keeping.	Ordering, expediting and payment
How it deals with suppliers	Focused on developing long-term, win-win relationships with suppliers. Relational Focus	Focused on making efficient transactions. Not overly concerned with developing vendor relations. Transactional Focus

2. What is a Purchase Order Request Form?

Also known as a **purchase requisition** or a **purchase requisition form**, a purchase order request form is the first document filed in the purchase order process. While a purchase order is used to actually place an order for goods or services, a purchase requisition is used to outline the needs met by the order, and determine if the budget has room for such a purchase.

The requisitioner shall at all times comply with Bodmin Town Council Financial Regulations, protocols and procedures and strive to obtain best value. This procedure will be subject to Bodmin Town Council internal controls scrutiny process and also by the internal (and/or external) auditor.

Created by the requisitioner, this document includes detailed information about the goods and services requested, including:

- Full requisitioner [buyer contact] information (phone number, address, email, etc.)
- Full supplier/seller information (name, address, phone, etc.)

- Type, quantity, and quality of goods/services required
- Pricing information, including unit price and total amount for the order
- Orders for contracts should contain the contractual terms to accompany the purchase order.
- Payment terms
- Delivery or Shipping terms and delivery date
- Any other terms and conditions specific to the transaction or as determined by contractual obligations between the vendor and the requisitioner [buyer]

The information included on the purchase order request form will be used to create the actual purchase order and all related documentation (delivery note, invoice, etc.), so it's crucial that it be as accurate and complete as possible.

STEP ONE – BODMIN TOWN COUNCIL PURCHASE REQUISITION PROCESS		
	CORRECT PROCESS ✓	INCORRECT PROCESS X
1. Authorisation to place purchase requisitions (See (a) below)	Town Clerk, Estates Manager, Community Services Manager/ Assistant Town Clerk	Any other member of staff, Members, including Committee Chairman. Mayor. Deputy Mayor
2. Financial resources available to submit a requisition (see (b) below)	Can only be placed if enough financial resources are available (i.e. variance between the budget and total committed expenditure) as identified in the summary of accounts.	Placing an order without reference to the budget or not being cognisant of the resources that are available.
3. Financial processes to be considered when placing requisitions.	Financial Regulations, and other financial protocols and procedures must be followed at all times and without exceptions	The Requisitioner does not follow any or all of the Councils financial procedures
4. Council or Committee incurs expenditure. (See c) below).	In all instances see 2, 3 and 1 above in that order.	Council or Committee makes a decision without reference to any or all of the above.
5. Can expenditure be incurred in any budget irrespective of who places the purchase requisition?	No. Expenditure can only be incurred by the officer within the budget to which delegation has been given. The exception being the Town Clerk or RFO but notification must be given to the Officer in charge of the budget,	
6 Requisition numbers	Purchase requisitions should be numbered sequentially when submitted to the Accounts department. This will make it easier to track any missing purchase requisitions.	Purchase Requisitions are either not numbered or numbered inconsistently leading to confusion and error

- a) Where Line Managers are absent (i.e. annual leave, sickness etc.) the Deputy in the department will assume authority and follow the processes above. However for larger purchases (in excess of £1,000) the Town Clerk will be required to approve a purchase requisition.
- b) Values for the movement of budgets are detailed in the Monetary values. Reserves movements must be agreed by the Policy & Resources Committee if and when required to ensure the necessary resources are available. The Requisitioner should seek the advice and assistance of the Senior Accounts Officer if this situation arises. These processes ensure there is a clear audit trail.
- c) Clear and robust budget setting procedures are in place to allow the Council to carry out the majority of purchases as expenditure that has already been approved. In the instance where a Committee or Council approves any expenditure, the procedure above must be followed in all instances.

STEP TWO – BODMIN TOWN COUNCIL PURCHASE ORDER PROCESS

What Is A Purchase Order?

Purchase orders (POs) are documents sent from you, as the buyer, to a supplier with a request for products or services as an order. Each PO will include a number for tracking the purchase order throughout the system, as well as the type of item, quantity, and agreed upon price. More specific orders will include more details, but as a general rule, the more information you include, the more effective your PO is.

From Purchase Request to Purchase Order

When the purchase requisition has been completed, the requisitioner submits it electronically to the Accounts Team. After the form is submitted it will undergo further review to ensure the budget allocated for the goods/services requested is sufficient to place the order. If there are no concerns and the form has been completed correctly, the purchase requisition will be approved. If the Accounts team considers there are errors on the form or there is insufficient funds available they can reject it, or return it with a request for clarification and/ or corrections.

In some cases, additional levels of approval may be required, for larger projects or orders exceeding values detailed in the Monetary Values and/or levels in financial regulations. In those instances, the purchase requisition will need to be approved by the Town Clerk or Council before placing the purchase order with the supplier /seller.

When the requisition has been approved and the purchase request has been double-checked for accuracy and completeness, the Accounts team will use the information from the form to create an official purchase order on the Accounts system.

Legal Status of a Purchase Order

Buyers should always clearly communicate requests to sellers or suppliers to reduce or eliminate confusion when the seller or supplier receives the purchase order (PO). If buyers ever refuse payment, the seller remains protected because of the legally binding contract status of the document. For the buyer to have similar protection it is important to have a purchase order confirmation, or acceptance of the order, tracked.

Ensuring you have robust purchase order terms and conditions covering all relevant scenarios, including details like when you can cancel a purchase order, will ensure clear boundaries to maintain good relationships with your key suppliers.

“A PO, once accepted by the supplier/seller, is a legally binding contract between the two parties.”

Why Purchase Orders Are Important

Whilst there are many organisations that don't use purchase orders because they consider the process is just a roadblock or unnecessary step in the process because they have steady working relationships with suppliers or vendors, Bodmin Town Council considers that best fiscal practice involves the production of purchase orders that also safeguards the council. Apart from good general fiscal control, Bodmin Town Council considers the following benefits as reasons for the importance of purchase orders

- The inclusion of purchase orders within management accounts gives greater clarity and transparency of committed expenditure. This is invaluable in managing budgets by the requisitioner, Accounts and the monitoring Council committee.
- The volume of Bodmin Town Council expenditure means that purchasing demands become more complex, urgent, or specific, meaning communication can become difficult and leave plenty of room for error if purchase orders are not used, or lack a certain level of detail.
- If a buyer receives their order without a PO number for reference, it can be a hassle to establish where the request went awry. And at that point, it's likely that both an invoice and payment was sent adding more complexity to the legal situation between the two parties
- The purchase order serves as a legally binding document, providing clear instructions to the supplier/ seller and an audit trail that's available for reference if things go wrong.

PAYMENTS

Bodmin Town Council operates a no purchase order – no payment policy.

All invoices must be made out to Bodmin Town Council, no exceptions will be accepted.

Invoices must be sent electronically to the requisitioner named on purchase order.

Any invoices received without a relevant and valid purchase order will not be paid and returned to the supplier/seller. This stipulation also applies to purchase orders being manually written onto invoices by staff. This system also prevents

- Goods or services supplied as a result of a telephone call, email or other non-approved method from any member of staff or member of the council
- Speculative invoices submitted by the supplier without any formal order

STEP THREE – BODMIN TOWN COUNCIL RECEIVING GOODS AND SERVICES PROCESS

RECEIVING GOODS OR SERVICES

Following the completion of the purchase order we review the process as to how the goods are received, invoices from suppliers/sellers are submitted and payments made

When the goods/ services are received, they may be accompanied by a delivery note, product listing or similar, or for contractual project work either a certificate of completion, certificate of staged completion or similar.

To ensure quality control when goods or services are received one of the below steps will be required

- A delivery note signed by the member of staff receiving the goods to document that they have checked the quantity and condition of goods is satisfactory. The document is then passed to the Accounts department (an electronic version is saved in the appropriate month's schedule folder).

- For contractors, building projects and similar the certificate or approval for payment must be signed by either the contract supervisor or Project Manager and passed to the Accounts department. (an electronic version of certificate or equivalent document will be saved in the relevant month's schedule folder)
- For goods/ services where a delivery note/ completion certificate is not attained an email confirming the goods/ service have been received is requested from a member of staff. The email confirmation date and sender is noted on the invoice (and stored with the Accounts Team email in the relevant months schedule folder)

STEP THREE – BODMIN TOWN COUNCIL PAYMENT PROCESS

Once satisfied that all the quality control checks have been put in place and the delivery note/goods received/certificate are accurate, we await the invoice.

The invoice from the supplier/seller must always be sent directly to the Accounts Department where

- a) The invoice is checked for accuracy against the purchase order. This will involve checking quantities, the correct goods have been received and prices charges are correct and with respect to contracts, that the terms of the contract have been met.
- b) A check that the goods received match any confirmation documentation (ie. delivery notes).
- c) It's noted if there are goods to follow or the goods ordered are no longer available this should be confirmed with the supplier and if appropriate the purchase order completed (where goods are no longer available)

When the above has been undertaken the above, the invoice is entered onto the Accounts system and a digital copy stored on the Supplier account.

Where the invoice completes the purchase order i.e. nothing is left outstanding, the payment will clear the commitment and the amount becomes "actual" in the accounts.

However, if the invoice only partially clears the purchase order and the commitment one of two actions will be taken

- a) If the outstanding goods or project will either be received or undertaken in the future, the outstanding amount will remain "open" on the purchase order and subsequently that element will be continue to be treated as a commitment in the accounts.
- b) If the goods will not be received and the purchase is subsequently therefore completed, then the remainder of the "open" purchase order will be cancelled and the outstanding commitment cleared in the accounts.

The Council payment schedule is approved at the Full Council or the Policy & Resources Committee meetings which are usually held on the 3rd Thursday of each month. The Council's preference is to pay all Suppliers by BACS where possible.

NON-ORDER PURCHASES

As can be clearly seen above, the principal method that Bodmin Town Council uses to purchase goods will be by using purchase orders for all the reasons as stated above. This will not be compromised and the use of "non-orders" will be strictly monitored. However it is acknowledged that there are some instances where it will be necessary to use a non-order although this will be very much the exception. It must also not be seen as a "lazy way to purchase goods" as a result of poor planning or management.

The reasons and methods of non-orders are listed below and must only be used where it is not possible to use the purchase order system.

Direct Debit/BACS – Utilities, Government Agencies, Business Rates, Salaries and Salary deductions are paid using these methods. Whilst it is acknowledged in these circumstances a purchase order cannot be used, the use salary projections can be used in the accounting processes enabling management accounts to clearly indicate the expenditure commitments. This will also assist in planning, monitoring and scrutiny of the council fiscal position.

Paypal – The Council's Paypal account must only be used where it is impossible to use a purchase order and in line with the Monetary Values. This could for example, be used for on-line purchases. Financial regulations must also be strictly adhered to when using this form of payment and will also be monitored by the council internal controls scrutiny process and auditors.

Petty Cash – As the term acknowledges this account must only be used for petty purchases (Maximum transaction limit of £30). An example might be milk or biscuits for a meeting. It must not be used for larger general purchases.