

# Procurement and Purchasing Policy

## Policy Summary

The Procurement and purchasing policy sets out how the British Red Cross will work in partnership with our suppliers, business partners and third parties (including subcontractors) to identify, deliver, and sustain value throughout the procurement lifecycle, that enables the delivery of our corporate objectives.

<b>Policy owner</b>	Executive Director of Finance, Planning and Resources
<b>Policy lead</b>	Director of Shared Services
<b>Audience</b>	All staff, delegates and volunteers (henceforth referred to as our people)
<b>Legislation and regulation</b>	<i>Bribery Act 2010</i> <i>Modern Slavery Act 2015</i> <i>Data Protection Act 1998 (UK)</i> <i>Equality Act 2010</i>
<b>Formally endorsed by</b>	Executive Leadership Team
<b>Endorsement date</b>	Dec 2017
<b>Next review</b>	Dec 2019

## 1 Introduction

- 1.1 The British Red Cross (BRC) helps millions of people in the UK and around the world to prepare for, respond to and recover from emergencies, disasters and conflicts.
- 1.2 The British Red Cross spends just under half of its annual spend on external third party suppliers, who provide a wide range of goods, services and works for internal stakeholders and our beneficiaries.
- 1.3 How we buy our goods, services and works, as well as manage our contracts and suppliers, plays a key role in identifying, releasing, and sustaining value through our third party spend.
- 1.4 To ensure we obtain the best value from our third party spend, the Corporate Procurement Team has been mandated by the Value for Money Programme to achieve the following objectives:
  - > Undertake strategic procurement in collaboration with our stakeholders, targeting third party spend and driving significant cashable savings;
  - > Deliver best value for the Organisation and improve the quality of services to our beneficiaries;
  - > Drive leading practice, compliance and aggregation of spend / efficiencies through contracts (guided by our Procurement Thresholds);
  - > Transform the existing procurement operations by adopting the Procurement Whole Life Cycle Operating Model;

- > Introduce the new Purchase Order Management process to raise standards in purchasing and buying practices / processes across the Red Cross;
- > Implement a communications programme to support transparency and dissemination of information;
- > Implement the change management programmes in relation to the acquisition of goods, services and works at all levels in the Organisation; and
- > Facilitate knowledge transfer of procurement / purchasing to all relevant stakeholders and ensure successful transition and delivery.

1.5 This policy provides the framework for how the Corporate Procurement Team will achieve the objectives listed above, outlining key responsibilities for the team and their stakeholders (please see Section 3 and 4).

1.6 This policy should be read in conjunction with the supporting policies listed in Appendix 1.

### Definitions

1.7 **Procurement lifecycle:** the end-to-end activity view of how needs / requirements for goods and services will be met. Our people should keep in mind the following distinctions, which require different standards to be upheld (please see Section 2).

- > **Procurement activity:** the strategic activity delivered by the Corporate Procurement Team that meets our requirements for goods, services and works, including analysing our third party supplier spend and demand; using strategic sourcing and procurement to inform our current commercial commitments and plan how we meet our demands whilst delivering value for money; tendering and negotiating to put in place fit-for-purpose contracts; and the management of contracts and suppliers to ensure the value delivered is sustained. For one-off, bespoke procurement needs: the strategic activity is delivered in collaboration with the subject matter experts, meeting the above-mentioned objectives.
- > **Purchasing activity:** a subset of procurement delivered by the Purchasing Team and associated hubs that meet the day-to-day purchasing of goods, services and works against pre-negotiated contracts put in place through procurement activity.

## 2 Policy statement

### Purpose and aims

2.1 The British Red Cross expects our people to promote the effective use of our resources, to ensure that the majority of our funds are directed to supporting people in crisis.

2.2 Our people should recognise our responsibility to maximise the use of our funds. As part of our shared commitment to embed the principle of value for money across the Organisation, our policy is to:

- > Apply strategic sourcing planning for our organisational spend that makes best use of market and supplier intelligence to inform and identify opportunities to release value from our third party spend through fit-for-purpose contracts (e.g. National Contracts);
- > Drive purchasing demand and activity through pre-negotiated contracts, with agreed preferred and ethically screened suppliers;
- > Apply contract and supplier management to ensure the value released through our sourcing strategies and procurement is sustained;
- > Apply leading procurement and purchasing practices to reduce risk and drive continuous improvement;
- > Adopt principles that ensure we sustain the value for money achieved from our procurement activity that considers the whole life-cycle including disposal costs - generating benefits for our Organisation as well as our society, environment and economy through sustainable procurement activities;
- > Provide our people with the correct coaching and guidance to help them comply with this Procurement and Purchasing Policy; and
- > Adhere to relevant external Procurement legislation and regulation (please see Section 4).

### Scope

2.3 Our people with responsibility for procuring and / or purchasing goods, services and works must apply a consistent approach approved in this policy.

2.4 This Policy covers all British Red Cross work in the United Kingdom and overseas.

## 3 Procurement Principles

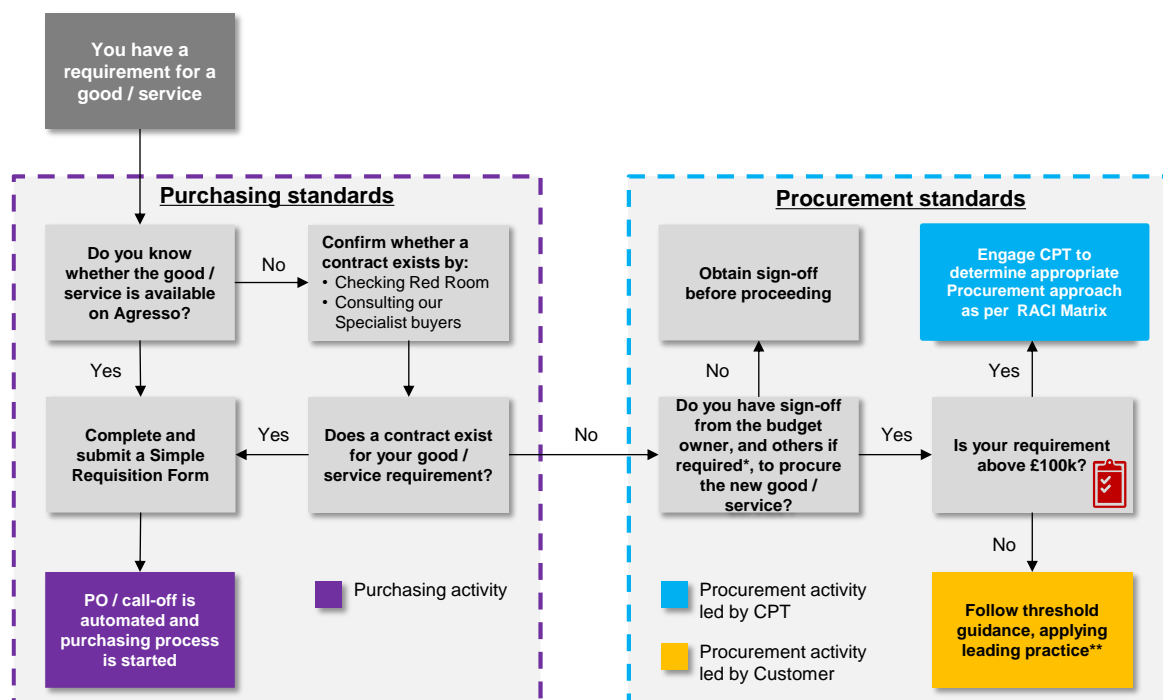
3.1 Our organisations fundamental principles and values have been embedded within this Procurement and Purchasing Policy. Our approach to procurement requires our people to uphold these principles and values by promoting and embedding sustainable procurement by:

- > Placing British Red Cross requirements at the heart of what we do;
- > Driving value for money;
- > Implementing effective competition that is open, fair and transparent;
- > Driving continuous improvement that delivers innovative solutions and sustainable benefits; and
- > Managing our suppliers that mitigate any risk exposure from our supply chain.

## 4 How we buy

4.1 Diagram 1 below provides a high-level overview of how we procure new and existing requirements; please refer to our Procurement and Purchasing Procedures for further detail.

Diagram 1



\*Sign-off might be required from other stakeholders, e.g. IT if you wish to procure a new system.

\*\* International Logistics must be consulted in the first instance for overseas procurement.

\*\* Procurement will provide guidance and templates to enable Customers to follow leading practice procurement activity (please see Section 6 for more information).

4.1 If the requirement for a good, service and works cannot be met through existing contracts, the following Procurement Thresholds must be applied for new requirements:

### Procurement Thresholds

Whole life value (total cost of a product or service over the full term of the contract)	Activity
<b>£50,000 and above and specialist contracts</b>	High value and specialist procurement should be conducted in collaboration with the Corporate Procurement Team. Each procurement process should have an adequate level of competition and is advertised through the Mytender portal. Stakeholder must engage Central

	Procurement to determine the appropriate procurement methodology per RACI matrix and agree the most beneficial route to market. A commissioning form must be raised to commission work through CPT.
<b>£1001 to £49,999</b>	A minimum of 3 written quotes should be sought and evaluated using the British Red Cross <b>quote record document</b> and <b>evaluation worksheet</b> .
<b>Up to £1,000</b>	Individual transactions for one off purchases with a value of up to £1,000 should be purchased in accordance with Procedures and Guidance as published on RedRoom and made available to all staff members. Payment of goods should be made using The Corporate Purchasing Card guidance on RedRoom ( <b>Guidance</b> )

4.1.1 **Supplier Selection:** Supplier appointment must be made on the basis of their capacity to undertake the requirements defined, due diligence checks must also assess suppliers economic and financial standing, business probity and criminal convictions, compliance with regulations i.e. insurance, health and safety, as well as social values, ethical practices and environmental impacts. Suppliers must be encouraged to monitor the ethical and sustainable credentials of their own suppliers. Red Cross terms and conditions must be used at all times unless prior authorisation has been granted.

4.1.2 **Supplier / Contract Management:** Supplier management must be undertaken to ensure that our people and suppliers work to sustain and / or improve value throughout the whole life of a contract by:

- > developing and managing constructive and transparent relationships with suppliers;
- > ensuring the contract is successfully executed, including meeting all special conditions relating to the performance of the contract, which may cover economic, innovation-related, environmental, social or employment-related conditions;
- > providing a formalised system of monitoring, managing and continuously improving the supplier and the Organisation's performance against the contract;
- > ensuring that all parties recognise and understand their contractual roles and responsibilities;
- > monitoring overall compliance to KPIs and Service Level Agreements and implementing improvement plans in the event of under-performance
- > leveraging supplier expertise in pursuit of cost and efficiency gains;
- > realising additional savings and benefits and sharing them appropriately;
- > Where applicable encourage partnership working, innovation and knowledge transferring; and

- > Ensuring that all contracts protect our physical and intellectual property and data and, in the interests of transparency, include a right of audit.

- 4.2.3 **Small and Medium Enterprises:** Every effort must be made to provide equal opportunities for small and medium sized businesses, social enterprises and the voluntary and community sector.
- 4.2.4 **Manage subcontracting:** Ensure that any right to subcontract included in the contract is bound by the same terms and conditions, and is expressly agreed and approved by the contract manager prior to commencement. Before subcontractors are appointed, carry out due diligence and a risk assessment and ensure mitigation measures are in place.
- 4.2.5 **Suppliers Due Diligence:** Supplier due diligence will be undertaken periodically including an annual report to ensure that the supply chain risk is managed in accordance with our risk management framework.

## 5 Responsibilities

- 5.1 The Corporate Procurement Team is the end-to-end process owner of the Procurement Lifecycle (as per definition provided in Section 1), and will work collaboratively with the organisations operational subject matter experts to manage the full lifecycle. Lead responsibility and accountability will be further defined in a RACI matrix for each business function. Please see the Procurement and Purchasing Procedures ([hyperlink](#)) for further detail.
- 5.2 Designated stakeholders will manage purchasing activity (as per the definition provided in Section 1) and be accountable for service delivery, products and operational supplier management for their business function.
- 5.3 The Executive Director of Finance, Planning and Resources is the policy sponsor responsible for endorsing this policy.
- 5.4 The Director of Shared Services is the policy owner and responsible for ensuring the policy remains fit-for-purpose.
- 5.5 The Head of Procurement is the policy lead, and will engage with policy and operational delivery directorates, agencies and other bodies to ensure procurement and purchasing activity supports organisational strategic, tactical and operational business plans.
- 5.6 The Procurement Board, membership of which will comprise senior management, will approve, as required, the programme of work driven by the Corporate Procurement Team (e.g. strategic sourcing plans, how we progress and implement our roadmap).
- 5.7 Approval of business cases / options appraisals and contracts will follow the Organisation's agreed Decision Making Matrix and guidance on internal authorisation expenditure levels.

- 5.8 Our people with purchasing and / or procurement responsibilities will follow the Procurement and Purchasing policy, procedures and guidance.

## 6 Laws and regulations

- 6.1 Procurement and contracting activity shall fully respect and comply with:
- > All applicable UK laws and regulations;
  - > All applicable European Union laws, directives and regulations;
  - > The relevant laws and regulations of other territories in which Red Cross may source goods, services and works from; and
  - > International laws, treaties and agreements to which the UK government is party (including any United Nations approved trade sanctions).
- 6.2 Our procedures, processes and standards will integrate any required elements from the BRC Anti-Fraud and Corruption policy ensuring compliance with the UK Bribery Act 2010 and all other applicable legislation.
- 6.3 Our procedures, processes, standards and practice will incorporate and integrate all financial regulations to which we work, meet the needs of our financial reporting and comply with the Inland Revenue rules.
- 6.4 Due diligence will be undertaken to ensure that our procurement and purchasing activity are performed in line with our policies and procedures in relation to ethical purchasing and Modern Slavery Act.
- 6.5 Adherence to this policy and its related procedures, including the use of the British Red Cross Standard Terms and Conditions of Contract, is intended to ensure and maintain compliance with relevant UK legislation.

## 7 Monitoring and compliance

- 7.1 All of our people should be familiar and fully comply with this policy.
- 7.2 Any purchasing and procurement activity that fails to meet the guidelines of this policy, as well as the supporting documents listed in 1.5, requires justification and management approval prior to the activity being undertaken.
- 7.3 Exceptions must be justified as beneficial to the British Red Cross. If extenuating circumstances exist, the exception needs to be documented through the Head of Procurement and approved by the Executive Director of Finance, Planning and Resources.
- 7.4 Routine audits will be conducted by the Shared Service Centre Compliance Team to ensure that any exceptions are wholly justified.

## 8 Training and support

- 8.1 Training and support will be provided to support people with complying with policy standards, and delivering procurement and purchasing throughout the Organisation for corporate systems and processes.

- 8.2 Guidance materials and hints and tips will also be provided through our intranet site.
- 8.3 We will provide WebEx sessions with managers to outline the updated policy and support them in their role of managing procurement and purchasing going forward

## 9 Review and maintenance

- 9.1 This policy was endorsed by the (Executive Leadership Team) on December 2017. The policy will be monitored by the Head of Procurement on an on-going basis, and will next be reviewed in December 2019.

## 10 Appendices

- > Appendix 1: Related documents
- > Appendix 2: Document provenance



## Appendix 1: related documents

Document title	Relationship to this policy
Anti-Fraud and Corruption Policy	This policy sets out our approach to preventing fraud and corruption within the organisation, as well as how to manage it if it occurs.
Conflict of Interest Policy	This policy is designed to help staff, volunteers and office holders understand conflicts of interest: where they might occur, how they can be avoided and how to manage them when they are identified. The policy also states that no staff, volunteer or office holders should be involved in awarding or subsequently managing any contracts or projects to any company or person with whom they have any financial or personal interest therefore this must be considered when undertaking a procurement exercise.
Corporate Purchase Card Guidance	Corporate purchasing card guidelines details the interdependencies and guide for when it is acceptable to use Corporate purchasing cards for procuring goods and services.
Travel Policy	The Travel Policy details the method for procuring travel services
Environmental and Carbon Reduction Policy	This policy aims to control our impact on the environment. All current and future suppliers must meet the minimum environmental standards detailed within this policy.
Ethical Policy and Procedures	As the global market expands our purchasing decisions have to include consideration of the wider social and environmental impact. It is important to demonstrate responsible sourcing in supply chains and subcontracting relationships.
Modern Slavery Statement	A statement setting out the steps British Red Cross has taken to ensure there is no modern slavery in our own business and our supply chains
Decision Making Matrix (DMM)	The DMM sets out the framework for making high level decisions and accountability for key operational and financial decisions.
Equality and Diversity Policy	This policy must be embedded within all procurement tenders to ensure that our suppliers meet the minimum standards for the equality and diversity regulations
Health and Safety Policy	All third party suppliers commissioned by our organisation must meet the minimum standards as set out within the Health and Safety at work regulations and comply with our organisations policies when working in our organisations premises.
Accountability Framework	An internal document (currently under development) which will ensure compliance with this policy, and sets out our accountability to our stakeholders.

## Appendix 2: document provenance

<b>Date endorsed</b>	<b>Category</b>	<b>Summarise changes made</b>	<b>Reason for changes</b>	<b>Consulted</b>	<b>Changes endorsed by</b>
June 2016	Full document	Policy has been revised in accordance with the revised procurement service offering.	Procurement Transformation Governance review and engagement with key stakeholders to inform the improved methods of collaboratively managing the supply chain	All Senior Managers	Executive Leadership Team
December 2017	Threshold Reduction	Policy thresholds have been reduced from £100k to £50k for CPT to undertake procurement activity in collaboration with Key Stakeholders	Reduction in thresholds enables a further £22m to be influenced to achieve value creation and best value in collaboration with key stakeholders.	All Senior Managers	Executive Leadership Team