



## **DPN PROCUREMENT POLICY**

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# 1. OVERVIEW

## Summary

This policy covers DPN’s procurement activities.

All staff who seek to purchase goods and services on behalf of DPN, regardless of the funding source, must comply with this policy.

## Further Information

Further information regarding this policy is available from the Managing Director or Finance Manager

## Review

This document will be reviewed every year by the Managing Director and Finance Manager and shall be approved through the DPN Board of Directors.

## Distribution

This document is distributed to all members of staff, members of the Board of Directors and subcontractors. This policy is available to all staff via the DPN staff directory.

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# PRIMARY INFORMATION

## **1. Policy**

### **1.1 Purpose**

To demonstrate that value for money is achieved by DPN (and its subcontractors) in the procurement of goods and services and to ensure that cost-effective procurement practice is consistently applied and is legal, ethical, open and transparent.

### **1.2 Procurement Principles**

Whilst the Public Contract Regulations 2006 mandates that the purchase of all goods and certain types of services and works whose value exceeds specific

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thresholds must be advertised in the Official Journal of the European Union (OJEU), it is important to understand that all public sector procurement must follow the 'spirit of the legislation'. This policy seeks to promote the following procurement principles:

- Purchases are in compliance with legal obligations.
- Goods and services are fit for purpose and value for money is obtained.
- Money is spent in a way that is fair, open and transparent.
- Staff awareness of relevant public sector regulations is promoted.
- Most efficient purchasing processes are used, using e-procurement as much as possible for effectiveness and improved efficiencies.
- Local, small and medium-sized enterprises (SMEs) are used wherever possible.
- Contracts are managed effectively and supplier performance is monitored.
- Clear purchasing procedures, guidance and training is available to all relevant DPN staff.
- Consistency in approach.

## **1.2 Value For Money**

When making purchasing decisions all DPN staff should seek the best value for money for DPN.

Value for money should not be judged solely on the basis of the cheapest initial price, but on the lowest whole-life cost to DPN. This means that, in anticipating the price to pay, DPN should take into account aspects such as maintenance, support costs, design, delivery, reliability and compatibility with DPN systems.

Factors such as these may justify a higher initial cost in the expectation of lower whole-life costs.

One of the best ways to achieve value for money is through competition.

## **1.4 Further Guidance**

For further guidance on any aspect of DPN's Procurement Policy and related procedures and practice, please see the Managing Director or Finance Manager.

## **2. Responsibility**

### **2.1 The Managing Director and the Board of Directors are responsible for determining DPN's Procurement Policy.**

### **2.2 The Managing Director is responsible for:**

- Ensuring that DPN's Procurement Policy and Procedures are adhered to and that value for money is demonstrated.
- Ensuring compliance with statutory regulations, providing legislation updates where appropriate, and promoting good practice.
- Project managing high value tenders.
- Developing and promoting efficient procurement processes.
- Vetting all orders above £200 before they leave DPN.
- Providing guidance, tools and support to staff undertaking procurement activities, where required.
- Reporting on procurement activity and cost savings achieved.

### **2.3 Project Managers are responsible for:**

- Maximising value for money for their area of budget responsibility.
- Ensuring compliance with the DPN's Procurement Policy and Procedures for their area of budget responsibility.
- Liaising with the Finance Manager to ensure procurement activities in the area are conducted effectively and efficiently.
- Once procured, ensuring that suppliers are performance-managed against contracts for their area of budget responsibility.

**2.4 All DPN staff involved in procurement activity are responsible for compliance with DPN’s Procurement Policy and Procedures.**

### **3. The Procurement Rules**

**3.1 Public Procurement in the UK is governed by the Public Contracts Regulations 2015 (PCR 2015).**

**3.2 The PCR 2015 apply where:**

(a) The procuring body is a ‘contracting authority’;

(b) The contract is a public works, services or supplies contract or a combination of one or more of such contracts;

(c) The estimated value of the contract (net of VAT) equals or exceed the relevant thresholds.

**3.3 The thresholds are currently as follows:**

European Public Contracts Directive (2014/24/EU)

	Supply, Services and Design Contracts	Works Contracts	Social and other specific services
Central Government	£122,976 €139,000	£4,733,252 €5,350,000	£663,540 €750,000
Other Contracting Authorities	£189,330 €214,000	£4,733,252 €5,350,000	£663,540 €750,000
Small Lots	£70,778 €80,000	£884,720 €1,000,000	n/a

Source: OJEU EU Procurement Thresholds, applying from 1 January 2020 in respect of the application thresholds for the procedures for the award of contracts.

**3.4 DPN has in 4. below set out our own procurement thresholds and authorisation requirements which is in practice how we ensure that we not only meet, but exceed all legislative requirements.**

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## **4. Delegation of Authority**

The value ranges and authority levels for purchasing are as follows:

<b>Value of Purchase (excl VAT)</b>	<b>Process to be followed and authorisation required</b>
Less than <b>€5,000</b>	Single Quote Purchases require prior approval of the Managing Director
<b>€5,000-€50,000</b>	3 Quotes will be sought. Purchases require prior approval of the Managing Director.
<b>€50,000</b> or over	Formal tendering process. Purchases require prior approval of the Managing Director

## **5. Tenders and Quotations**

All staff must comply with DPN's quotations and tendering thresholds shown in 4. above.

Please note these requirements are a minimum; more suppliers may be invited to bid if necessary in order to achieve greater value for money through competition.

Post-tender negotiations (i.e. after receipt of formal tenders but before signing of contracts) with a view to improving price, delivery or other tender terms can be entered into provided:

- it would not put other tenderers at a disadvantage;
- it would not affect their confidence and trust in DPN's tendering process.

Procurement management information maintained by the Finance Manager will report the improved value for money.

It is the responsibility of Project Partners to ensure that their members of staff comply with EU regulations by notifying DPN's Managing Director of any purchase that is likely to exceed the thresholds. This will need to be done well in advance in order to permit advertisements in journals such as OJEU (the Official Journal of the European Union).

The award of contract values over € 50,000 shall be reported to the Board of Directors.

## **5.1 Repeat Purchases**

Where supplies of goods and services are repeatedly purchased (e.g. office stationery), it is not necessary to evaluate each purchase, but the annual sum must be evaluated and calculated over a three-year term. Areas of spend for repeat purchases must have a compliant framework agreement in place. The Finance Manager will work with Project Managers and other staff members to identify areas of spend for repeat purchases.

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# **SECONDARY INFORMATION**

## **1. Identify the Procurement Need**

At the first stage of any procurement, a need is identified. At this stage a review should be carried out by the Finance/Project Manager or a member of staff involved in the procurement to ensure the goods or services are required or if there is an alternative solution available that would provide better value for money.

## **2. Determine Cost of Procurement**

When the requirement is identified the whole life cost of the goods or services must be calculated to ensure the procurement is in line with DPN thresholds. When calculating the cost of the procurement, whether it is a one-off purchase or a regular purchase, staff must take into consideration the whole-life cost to identify the true value of goods or services required.

Commitments must not be broken down artificially into separate orders to circumvent the DPN thresholds. Where a series of orders are made in close

succession they must be treated as a single order unless approved by the Managing Director.

### **3. Methods of Procurement and Sourcing Options**

There are various sourcing options available which enable an efficient and cost effective procurement exercise.

Suppliers should be selected from the following:

- Existing DPN contracts.
- Request quotations.

If an existing supplier is unable to meet DPN needs a competitive quotation or tender may be required depending on the value. The relevant procedure must be followed to ensure value for money is obtained.

### **4. Placing Orders with Suppliers**

#### **4.1 Purchase Orders**

Purchase orders are required as follows:

- Official DPN orders must be placed for the purchase of all goods and services, except those that have a value of less than £25. Below this limit, petty cash is more efficient.
- Orders must not be placed with the supplier until the Finance Manager has issued an official purchase order.
- In exceptional circumstances, urgent orders may be given verbally but must first be agreed by the Finance Manager and confirmed with a purchase order no later than the next working day.

#### **4.2 Petty Cash**

Petty cash must only be used in line with the DPN's Financial Procedures.

### 4.3 Internet Orders

Ordering via the Internet presents increased risk and responsibility to those who purchase on behalf of DPN. Purchases via the Internet should be minimised unless the order is with a preferred supplier or a contracted supplier.

Please use the following guidance when ordering from the internet:

- Deal only with established, reputable suppliers. Do not buy from unincorporated individuals or groups offering products or services.
- Members of Staff choosing to order via the Internet should ensure that the supplier provides a secure Website for transmission of information.

### 4.4 Internet Suppliers

It may appear the item being purchased is less via an Internet Supplier, but the whole-life cost still has to be taken into account including delivery charges and warranties. In addition, DPN has less protection and loses buying power with preferred suppliers.

Amazon should only be used as follows:

- If there is no existing contract or framework.
- If the item is unique and there is no preferred supplier.
- For book purchases.

eBay and other internet auction sites must not be used under any circumstances unless approved by the Managing Director.

### 4.5 Personal Monies

Under no circumstances should staff make any purchases using their own money or a personal credit card. This will not be recoverable through expenses unless prior approval has been sought and received through the Finance Manager or Managing Director.

### 4.6 Unauthorised Expenditure

All purchases of goods and services must be correctly and appropriately authorised. If this is not done, DPN may hold the individual concerned personally responsible for payment of the costs incurred.

## 5. New Suppliers

Prior to requesting new suppliers, staff must first check our list of Preferred Suppliers. This can be found on the staff shared drive, or alternatively seek guidance from the Finance Manager.

If there is no existing contract or preferred supplier follow the procedure for setting up a new supplier.

If there is an existing contract or preferred supplier and the member of staff requires a new supplier to supply goods or services, they will be expected to explain and document any derogation from the use of any DPN, regional or national framework set up to cover a specific area of purchase. Such evidence should be attached with the new supplier request form.

All new Supplier requests will be reviewed and approved by the Finance Manager. A notification will be issued to the requestor when approved or rejected, with reasons.

New Supplier request forms are available on the staff drive or available from the Finance Manager.

## 6. Sole and Single Source Suppliers

### 6.1 Sole Source Supplier

The supplier is the only supplier who sells the particular item required.

### 6.2 Single Source Supplier

The item may be available from multiple suppliers, but only the requested supplier is acceptable for technical or other reasons including, but not necessarily limited to:

- Repair or replacement parts.
- Equipment must be compatible with other equipment currently in use.
- Supplementary components of the same manufacturer.
- Unique manufacture features essential to the intended application.
- Compliance with the DPN's standard programs.

- Necessary to meet physical design.

For purchases below € 5,000 the member of staff must complete a single source request form and submit to the Finance Manager for approval. For purchases of € 5,000 or more, approval is required from the Managing Director.

## **7. Terms and Conditions / Supplier Payments**

### **7.1 Terms and Conditions**

Where possible, all purchases for goods and services must be agreed on the DPN's standard terms and conditions.

There will be occasions when the supplier requests the purchase/contract to be agreed against their terms and conditions because of the type of service or goods. Where this occurs the member of staff must submit the supplier terms and conditions to the Finance Manager for review and approval before an order is placed with the supplier.

### **7.2 Supplier Payments**

All payments will be made to suppliers in line with the DPN's Financial Regulations. Payment terms are stated within DPN's terms and conditions.

Under no circumstances should staff agree to any special payment terms, including payments before goods are delivered or reduced payment terms. Upfront payment places DPN at risk of loss if the goods are not received or are received in an unsatisfactory condition.

Under exceptional circumstances a request for different payment terms can be submitted to the Finance Manager for review and, if agreed, will require approval from the Managing Director.

## **8. Contracts**

### **8.1 Contract Management**

After the contract has been awarded the member of staff is responsible for managing the contract in line with the agreed terms and conditions and any Service Level Agreements and Key Performance Indicators which were agreed between DPN and supplier as part of the contract.

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Members of staff can refer issues to the Finance Manager for advice and guidance in managing the contract.

**8.2 Contract Extensions and Renewals**

Under no circumstances should a contract be extended after the expiry date if there is no extension clause within the contract.

If a contract has an extension clause, the member of staff must not allow the contract to be rolled over without first being reviewed to identify if goods or services are still required and if the specification remains the same.

The staff member should also arrange for a benchmarking exercise to be carried out to check that the contract is still offering value for money. This should be carried out at least 6 months prior to the contract expiry date to allow time for contract tendering and potentially choosing a new supplier.

If the member of staff requires the contract to be extended, a contract extension request form which evidences value for money must be completed and approved in line with DPN thresholds.

The member of staff should arrange for a tender to be carried out at least 6 months prior to the expiry date.

**8.3 Contract Termination**

The Finance Manager is responsible for arranging termination of a contract in line with the terms and conditions of the contract.

A copy of the termination letter should be issued and the Finance Manager will keep on file with the contract and to update the Contracts Register.

**8.4 Contracts Register and Contract Documents**

The Finance Manager is responsible for maintaining the Contracts Register and holding all original contracts and agreements, including licence and maintenance agreements.

The appropriate staff member is responsible for notification of, and issuing, all contracts and agreements to the Finance Manager after signature.

The Contracts Register and related Contracts Guidelines are available on the shared drive or from the Finance Manager.

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## **9. Bribery Act**

All staff involved in procurement activity must comply with the DPN's Anti-Fraud Policy, a copy of which is available on the shared drive.

## **10. Sustainable Procurement**

In complying with relevant legislation and regulations in procuring goods, services and works, DPN will, wherever possible and reasonably practicable:

- Consider sustainable alternatives to new procurements by assessing options such as cutting down on waste and repairing or re-using goods.
- Ensure contract documentation reflects relevant sustainability criteria to be considered in the award of contracts.
- Allow potential suppliers to price for sustainable and environmental alternatives.
- Ensure that appropriate consideration is given to suppliers' environmental credentials in the supplier appraisal process.

## **11. Procurement Documents**

DPN and its partners/subcontractors must retain copies of all documentation related to purchases in accordance with the DPN's procurement procedures.

The Finance Manager may request and review any document related to a particular purchase decision.

## **12. Procurement Audit**

The Finance Manager is responsible for implementing the Procurement Policy. The Finance Manager will review reports of purchase orders issued below £25,000 to look for new contracting opportunities, verify that policy is being followed, and to better assess when Preferred Suppliers are not being used.

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**13. Ethics**

All staff involved in procurement activity must ensure that they are fair and unbiased when making a procurement decision.

If a member of staff suspects that someone involved in the contracting and procurement process is acting in an unethical way the member of staff must report this to the Managing Director immediately.

Staff must not use their position for personal gain and should always maintain the highest standard of integrity in all business relationships both inside and outside DPN.

Staff should declare any personal interest that might influence a purchasing decision to the Finance Manager.

**14. Buy versus Lease**

Equipment should almost always be acquired by outright purchase. Circumstances may require the leasing of equipment to satisfy specific needs. The economic benefits of leasing versus buying must be determined before entering into any lease agreement. If sponsored project funds are involved in the acquisition of the equipment, it must first be determined that the source of funding allows for leasing.

Leasing may be advantageous if the total cost of a lease for the period of the equipment's life or the technological life is less than the purchase price. The total cost of the lease must be compared to the total cost of the purchase, taking into account such factors as equipment costs, maintenance costs, interest, taxes and insurance.

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