Value for Money in day to day purchasing – a guide for University staff

What is Value for Money?

The University is committed to getting Value for Money (VfM) for our students, research funders and the wider community. There is a technical definition in our VfM policy but in day to day purchasing getting VfM really means using resources with care and in the best interests of our stakeholders – we want to invest as much of our funds as we can to deliver high quality teaching and achieve the greatest possible impact through our research.

Getting Value for Money in Purchasing

The University works on the basis that staff who are close to what is going on are best placed to make decisions about how to use our resources day to day. Around 2800 staff are authorised to commit University funds and are making these decisions when they purchase or authorise purchasing, including Barclaycard or ‘expenses’.

When you’re purchasing there are two key points to remember about VfM:

Value for Money is not about always getting the cheapest price.

- Short term savings which postpone a problem for another day or for another area, or compromise the quality of what we aim to do as an institution, are much less likely to be VfM.
- There may be a good VfM reason why things look more expensive e.g. your budget may need to absorb cash withdrawal fees from a purchasing card, but replacing cash advances with card has meant we avoid very significant central overhead, which is money we can spend to support excellent teaching and research.

Following University policy and process will help you get VfM.

- Adhering to policy about what and how to buy and following the right process will keep both the purchase cost and the process costs of purchasing as low as possible and help avoid financial and reputational risk. We’ll also be able to demonstrate VfM to funders and meet Office for Students requirements. What may seem like ‘bureaucracy’ can be very important, for example research funders have reclaimed some funding where receipts were not available to inspect, so we needed to use other funds to cover them. This is one of the reasons we now require receipts to be attached in the finance system.
- Staying in budget means we are allocating the right resources to agreed priorities and not unintentionally using up funds that were earmarked for something else.

Appendix 1 sets out four key questions to consider before you purchase –and why these are important for VfM.

Getting help

Whilst it can often be described as ‘common sense’, getting VfM can look challenging if you are managing in a tight annual budget and trying to balance multiple priorities. In this situation your line manager or budget holder is the first person to ask for advice about how important a purchase is and what to consider. The Finance Service Desk can answer questions about transactions or decision making or organise more specialist advice and training.

Please also contact us with general concerns or observations about VfM and how we deliver and demonstrate it so we can understand what is and isn’t working. An important part of getting VfM is learning from all our experiences, applying and sharing this going forward. We need your input to get this right.

Further resources

- The University Value for Money policy
- The University Procurement and Purchasing Policy
- E-learning regarding purchasing, authorising and travel, working away from base and out of pocket expenses [link]
- Purchasing card guide
Four things to think about before you purchase

Within the policy and process framework you will often have to use your judgement about a purchase; asking four key questions will support you in getting VfM:

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<th>What to ask</th>
<th>How this helps achieve Value for Money</th>
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<td>Is there a budget?</td>
<td>Budgets are the financial representation of how we have decided to allocate resources to our activities each year. If there is no budget this may be because of oversight, or a change in plans, or because this isn’t a priority. Before we spend on unbudgeted or over budget items the budget holder needs to be satisfied that the purchase is a good use of funds, and agree what we should deprioritise to pay for it.</td>
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<td>Have you chosen the right supplier?</td>
<td>In general suppliers set up on the finance system will offer us a ‘good deal’ through existing arrangements. They will have been through our due diligence processes and can be relied on. If you chose a new supplier or use a purchasing card or expenses it’s important to consider not only price but quality, reliability, delivery costs and any ongoing supplier support needs.</td>
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<td>How to purchase?</td>
<td>There are three ways to purchase in the University. These have various Value for Money advantages depending on the situation but often there are pros and cons to be balanced.</td>
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| - Using the finance system | Advantages, if the process is followed:  
  - Purchasing this way should get us ‘a good deal’ with established suppliers and it means we work on University terms and conditions so we can plan our payments and manage cash.  
  - Requisitions are automatically checked against the budget before the purchase order is created and the order is placed (see above)  
  - Once the order is approved the budget updates automatically so there is no risk of unplanned overspend  
  - Supplier invoices are matched to purchase orders automatically once a goods receipt has been completed so we only pay for what we ordered and received  
  - Overheads are kept low so we can use the resources elsewhere  
Disadvantages:  
  - The benefits rely on the upfront creation and approval of a purchase order requisition and goods and services being receipted - if not this creates extra work for staff in your area to sort things retrospectively and can unfairly delay supplier payment |
| - Using a purchasing card (Barclaycard) | Advantages:  
  - Using a purchasing card means we can get a good deal ‘on the spot’ e.g. a flight or with a credit card only supplier  
  - There is no effort to set up a supplier and we benefit from standard protections of the card provider (as for a personal credit card)  
Disadvantages:  
  - The cardholder needs to make sure they are using a reputable and reliable supplier and are paying the right price for the right quality  
  - The coding and authorising process is cumbersome (we will address this as soon as we can upgrade our system)  
  - There is no upfront budget check and the budget is only updated when the money has been spent. (It’s important to know that the budget holder is aware of what you are purchasing in advance, and some areas may require pre-approval for this reason) |
| - Using ‘expenses’ | Advantages and disadvantages are mostly the same as for purchasing cards. On the plus side it is much easier to prepare a claim using the expenses app however this route means staff need to use their own funds upfront and there is no purchasing card protection. |
| Is everything clear and evidenced? | To demonstrate VfM we need to be very transparent. Purchase descriptions should be accurate and complete and quotations, receipts and other relevant information should always be attached in the finance system (screenshots of how to do this can be found in our guides) so the authoriser can understand and approve the transaction and to keep them safe for inspection by our auditors, research funders and HMRC for example. |