UNIVERSITY OF BIRMINGHAM

PROCUREMENT AND PURCHASING PROCEDURES

Revised May 2018
Contents

- Introduction
- Finance Office – Procurement Division
- Procurement Division - Team Structure
- Procurement and Purchasing; what is the difference?

Purchasing Goods and Services

1. Identifying the Need/Specification
2. Do you need to buy it?
3. Is the funding available and has it been approved/are you authorised to commit the expenditure?
4. Sourcing/Where or Who to buy from
5. Why do we need Framework Agreements, Commitment Contracts and Approved Suppliers?
6. How to use Commitment Contracts
7. How to use Framework Agreements (including requirements for competition when using a Framework Agreement)
8. Competitive Processes and Procedures (where there is no Commitment Contract or Framework Agreement available to use)
9. Funder’s Competitive Processes and Procedures
10. Exemptions
11. Requesting, Evaluating and Accepting a Quotation
12. Requesting and Evaluating an Invitation to Tender and Accepting a Tender
13. Protecting Cardholder Data (PCI DSS)
14. Raising a Requisition
15. Creating a Purchase Order
16. Who can make commitments and sign Purchase Orders and Contracts?
17. Claiming VAT Zero Rating or VAT Exemption
18. Receiving Equipment, Products and Services
19. Invoicing and Making the Payment
20. Using the University Purchasing Card
21. International Purchases
22. Disposal of Equipment and Products

Frequently Asked Questions
Introduction

The University of Birmingham spends around 30% of its annual turnover on products and services. These range from the construction and refurbishment of buildings and estates infrastructure to very basic requirements such as office stationery. All University expenditure is governed by its Manual of Financial Rules (MFR’s) which is presented to and endorsed by the University Council (the University’s ultimate governing body).

The Financial Rules not only ensure that the University’s own requirements in terms of governance regarding the expenditure of money are communicated to members of staff but also ensure that it complies with (and does not contravene) any regulatory and statutory obligations that may apply to the expenditure. Your compliance with the “Procurement and Purchasing Procedures” will also therefore mean compliance with the “Manual of Financial Procedures”.

Ultimate responsibility for the expenditure of University funds within Colleges and Professional Services Departments is delegated by Council to the Heads of Colleges and Professional Services. However, the Heads of College and Professional Services Departments are permitted to delegate such responsibility to individuals within the Colleges and Professional Services.

There are, however, fundamental principles within the Financial Rules and Procedures that everyone involved in the expenditure of University funds is required to observe:

- Expenditure of University funds must be administered with the highest levels of probity and transparency;

- Everyone has a responsibility to secure best value for money for all expenditure (even if the funds are provided by a research funder) section 8 contains information on “best value”.

- All funding that comes into the University is “University funding” and the expenditure of that funding is subject to the Financial Rules and the MFR irrespective of source (so, again, even if the funds are provided by a research funder the Financial Rules apply to the expenditure of that funding and the procedures set out in the MFR must be administered).

These procedures are in place to assist colleagues in fulfilling their responsibilities in the expenditure of University funds efficiently and in compliance with all relevant regulatory and statutory obligations and the University’s Financial Rules.

Jonathan Jones
Director of Procurement and Insurance

Extension: 45955
Email: J.Jones.3@bham.ac.uk
Finance Office – Procurement Division

The University’s Finance Office; Procurement Division provides a procurement service to all University Colleges and Professional Services Departments. This service ranges from the provision of advice and guidance on all aspects of procurement and purchasing through to:

- Administering compliant competitive tender or request for quotation processes;
- Negotiating commercial contracts
- Establishing the University’s Approved Supplier base for repeat demand products and services
- Creating compliant tendered Framework Agreements

The procurement department are also responsible for the development and implementation of University procurement policies and strategies and are also involved in reviewing purchasing processes and systems in order to seek process efficiencies and improvements.

The University also now has in place a procurement strategy (2014 to 2020) and a Directors Board (Procurement Strategy Forum) to drive strategic savings and improvements, the strategy covers the five core themes below;

- Theme one; savings delivery
- Theme two; capacity building
- Theme three; systems and processes
- Theme four; ethical procurement
- Theme five; supplier relationship management

The Finance Office; Procurement Division comprises of ten staff, and is supported by three other procurement professionals located in Medical and Dental Sciences, Estates Maintenance and Hospitality and Accommodation Services. The members of the Team that have a direct Procurement role are organised as “Commodity Category Lead Roles” for the University (which basically means that they are the main point of contact for specific products and services which are captured in certain product and services “categories”):

Jonathan Jones
Director of Procurement and Insurance

Extension: 45955
Email: J.Jones.3@bham.ac.uk
Procurement Division – Team Structure

Procurement staff are organised into the following groups;

Matthew Home
Head of Categories for Estates, Infrastructure and Utilities
Extn: 43648
Email: M.Home@bham.ac.uk

Nicola Handley
Category Manager for Estates Capital Procurement
Extn: 42924
Email: n.j.handley@bham.ac.uk

Karen Manyika
Category Manager for Estates Maintenance and Facilities Management
Extn: 45956
Email: K.Manyika@bham.ac.uk

Vacant
Category Manager for Sub EU Construction
Extn: 51109
Email:

Vacant
Category Manager for Furniture and Fittings
Extn;
Email:

Louise Stanwell-Jones
Category Manager for Sub EU Construction
Extn: 43621
Email: Stanwell@adf.bham.ac.uk

Vacant
Category Manager for Hospitality and Accommodation Services
Extn:
Email:

Pauline Harrison
Head of Categories for Scientific Supplies and Professional Services
Extn: 48541
Email: P.E.Harrison@bham.ac.uk

Paul Markham
Category Manager for Professional Services, Supplies and Travel
Extn: 58807
Email: p.markham@bham.ac.uk

Susanna Ting
Category Manager for Scientific and Special Projects
Extn: 45389
Email: S.Y.Ting@bham.ac.uk
Michelle Duckett  
Category Manager for ICT and Projects  
Extn: 47004  
Email: m.duckett@bham.ac.uk

Thomas Hasson  
Category Manager for ICT  
Extn: 42890  
Email: T.R.Hasson@bham.ac.uk

Jacob Ellison  
Administrative Assistant for ICT  
Extn: 58806  
Email: J.Ellison@bham.ac.uk

Stephen Collins  
Administrative Assistant for Scientific and Professional Services  
Extn: 49055  
Email: S.Collins@bham.ac.uk

Mark Hedge  
Supplier Creation Officer  
E-Marketplace  
Extn: 47577  
Email: M.Hedge@bham.ac.uk

Geoff Williams  
Procurement Data and Systems Administrator  
Extn: 45947  
Email: G.N.Williams@bham.ac.uk

Teisha Ravenscroft  
PA to the Director of Procurement and Insurance and Head of Internal Audit  
Extn: 45948  
Email: T.Ravenscroft@bham.ac.uk

Peter Nobbs  
College Procurement Manager for Medical and Dental Sciences  
Extn: 44524  
Email: P.K.G.Nobbs@bham.ac.uk

Brian Civil  
Supply Manager for the Estates Office  
Extn: 45848  
Email: B.E.Civil@bham.ac.uk

You can contact all members of Procurement by email at: procurement@bham.ac.uk located at Aston Webb B Block.
Procurement Hub (Professional Services) – Team Structure

**Paula Fernandes**  
Procurement Hub Manager  
Extn: 44743  
Email: P.Fernandes@bham.ac.uk

**Adrian Ravenscroft**  
Procurement Hub Assistant  
Extn: 47963  
Email: A.Ravenscroft@bham.ac.uk

**June Firth**  
Procurement Hub Assistant  
Extn: 47982  
Email: J.M.Firth@bham.ac.uk

**Sharen Mahal**  
Procurement Hub Assistant  
Extn: 48966  
Email: S.Mahal@bham.ac.uk

**Rachel Price**  
Procurement Hub Assistant  
Extn: 43623  
Email: R.E.Price.1@bham.ac.uk

The Professional Services Procurement Hub is located in Rooms LG2B on the Lower Ground floor of Aston Webb B Block. Key email contacts are as follows;

Placing Orders: Procurement-Hub-Orders@contacts.bham.ac.uk.

General Contact: procurement-hub@lists.bham.ac.uk
Insurance Services – Team Structure

Andrew Else
Insurance Manager
Extn; 58806
Email: A.J.Else@bham.ac.uk

Rebecca Benson
Insurance Officer
Extn; 46628
Email: R.S.Benson@bham.ac.uk

Key information contacts are;
www.travel.bham.ac.uk
www.birmingham.ac.uk/insurance
www.imports-exports.bham.ac.uk
www.vat.bham.ac.uk
www.birmingham.ac.uk/finance

You can contact all members of Insurance by email at: insurance-enquiries@contacts.bham.ac.uk located at Aston Webb B Block.
Procurement and Purchasing; what is the difference?

Procurement is the wider aspect related to the activities associated with the provisioning of equipment, products and services encompassing policy and strategy development and implementation, provisioning strategies and demand management etc. Whilst, purchasing is the procedural aspect related to competitive processes and the methods employed to actually purchase equipment, products and services.

The university is committed procuring goods and services as ethically as possible. Our commitment to Ethical Procurement which is detailed in our procurement strategy

This means we aim to minimise any negative environmental, social or economic impacts associated with the goods and services we buy whilst taking every opportunity to enhance our contribution to society and the economy.

Birmingham spends over £300M each year on a variety of projects, goods and services so the opportunities for us purchase ethically and have a positive impact are significant. This is even more important given the arrival of the Modern Slavery Act 2015 which focuses on the global challenge of modern slavery and human trafficking and is a key issue to consider in our purchasing activities.
https://intranet.birmingham.ac.uk/finance/procurement/Procurement-Services.aspx

These procedures focus on purchasing and procurement activities, below are a few definitions to support University staff understanding.

1. Identifying the Need / the Specification
Before you get involved in the purchasing process you need to consider what it is you need and why you need it. You should focus initially on the output of the product or service that you need, this means what you want it to do and what do you want to do with it?

The use of a specification that identifies outputs i.e. the minimum specification of what the equipment or product should achieve or the outputs that you require from the services. Use standards if possible (International/British Standards) but try to ensure that the supplier specifies the product that they will warrant/guarantee to be suitable and will meet your needs.

Do not forget to consider the “non-technical” aspects of your needs such as delivery lead time; delivery charges being extra; maintenance and support and disposal costs etc. For lower value, consumable purchases this may not be relevant or necessary but even in these cases remember to consider carriage (delivery) charges. These are often overlooked and can add considerable expense, especially if multiple part deliveries are made.

2. Do you need to buy it?
The best purchasing decision is ultimately the one that determines that the need can be fulfilled by not spending anything. So please consider whether:

- you really do need to purchase the item at all;
- Does someone else in the University currently obtain a good/service that will meet your requirements and can you use or consume it? In particular could you loan the item or arrange to have time on existing equipment that is in place within the University? Not only does this assist in achieving the University’s sustainability aspirations but it ensures that assets are used to the fullest extent possible – and if you consider this at the time that you are making an application for a
research grant it may be that the costs in your grant application are reduced and that you stand a better chance of success as a result;

- even for consumables, has someone else in the University got excess stock?
- could you repair, refurbish or upgrade existing equipment or products rather than buy new?
- Is the service really needed and, if it is a regular service provision such as a maintenance contract, do you need to have the service provided at the frequency or with the response times specified, furthermore could these be reduced?

Ultimately almost everything that we purchase will create some form of waste, so if you do not need it then you can secure other benefits by having the funding available to do something else.

3. **Is the funding available and has it been approved/are you authorised to commit the expenditure?**

Ideally before you proceed to seek to make a purchase you should ensure that you have approval and authorisation to commit to the expenditure (that is, the funds are available and you have a Budget Code against which the expenditure can be allocated). If you do not have a valid Budget Code with funds available against it you will not be able to arrange for a Purchase Order to be raised. Your College/Professional Services Department Finance Office or person with responsibility for managing College/Professional Services Department budgets can assist you in the first instance if you have any questions regarding availability of funds and setting up accounts/account codes to enable you to proceed with purchases.

4. **Sustainability Impact Analysis**

A sustainability impact analysis is the starting point for turning a way of understanding sustainability and ethical practices into something that can become part of procurement process. If it is completed at the start of the procurement process it will help integrate sustainability into the specification, invitation to tender and then be picked up as part of contract management.

What are the benefits of this simple approach?

- It allows you to identify the environmental, social and economic impacts and opportunities associated with a particular purchase
- If carried out at the start of the procurement process it will inform the product or service specification
- If carried out mid-contract it will inform contract management discussions on sustainability
- It will provide you with the confidence and evidence that you have systematically considered sustainability issues of any given product or service within the procurement process

At the university we recommend this activity is considered at the start of every procurement activity over £25,000.

Further guidance on this approach can be found in the “Sustainability Impact Analysis” (PROC14E), this can be obtained from procurement via; procurement@bham.ac.uk

4. **Sourcing/Where or Who to buy from**

At this stage you should have a clear specification of what you want to buy; why you want to buy it; what you want it to do with it and how many you need – so at this point, where it is appropriate (and certainly for higher value purchases) you need to write down your specification. Remember that you should use an output specification where possible so that you are not “locking out” options (again particularly important when purchasing higher value items).
Depending on the equipment, products and services that you need to purchase, there are several options to consider:

For “regular demand” products and services in particular, but increasingly for some higher value items (such as scientific and engineering research equipment) the University has either “Framework Agreements” or “Commitment Contracts” in place with Approved Suppliers.

Approved Suppliers are those suppliers that have Framework Agreements with the University – these Framework Agreements having been competitively tendered either by the University or by one of the University Purchasing Consortia. Further information on How to Use Commitment Contracts and How to Use Framework Agreements is available in sections 6 and 7 of these guidelines.

For all proposed purchases (but in particular lower value/consumable products and services such as furniture, laptops, notebooks, pc’s, stationery and general consumable products) you should check the University’s Approved Supplier list at https://intranet.birmingham.ac.uk/finance/procurement/I-need-to-buy-something/Approved-Suppliers.aspx
Or contact the Procurement Division or your College/Professional Services Departmental Finance Office.

If you are making a purchase from an Approved Supplier, you should, as indicated above, follow the procedures in section 6 – How to Use Commitment Contracts or section 7 - How to Use Framework Agreements.

If you are unable to source/purchase your requirements from an Approved Supplier you will need to use one of the competitive processes set out in section 8 – Competitive Processes and Procedures.

5. Why do we need Framework Agreements, Commitment Contracts and Approved Suppliers?
Approved Suppliers are basically a product of Commitment Contracts and Framework Agreements, and we need these Contracts and Agreements primarily because the University has to comply with the Public Contracts (Supplies, Services and Works) Regulations 2015 (also known as the EU Public Procurement Directives).

These Regulations set certain financial thresholds at which the University’s requirements (either as one off individual purchases or for repeat demand items based on estimated expenditure aggregated over four years) have to be advertised and subject to an open and transparent competitive process as set out in the Regulations. The University has a legal/statutory obligation to comply (and there are penalties for non-compliance).

However, aside from the regulatory compliance aspect, establishing longer term supply arrangements with a range of key Approved Suppliers represents best procurement practice and enables the University to exploit the added value benefits of scale, develop relationships which add value and enable the University to engage the supply base in achieving its own aspirations in certain areas (sustainability being a prime example) and implement more efficient, streamlined processes and systems (such as e-marketplaces/e-procurement in general).

6. How to Use a Commitment Contract (make a Purchase using an Approved Supplier)
What is a Commitment Contract? A Commitment Contract is an agreement with a supplier whereby the University has committed to take certain products and services from that supplier over a period of time subject to certain terms and conditions of contract and actual prices or discount structures. Typical examples are maintenance contracts, support and maintenance contracts and call off contracts. A supplier that has a Commitment Contract with the University is generally an Approved Supplier.
Usually there is only one supplier awarded a contract following the completion of a competitive tendering process that is compliant with the Public Contracts Regulations 2015 (where necessary) and/or the University’s Manual of Financial Rules.

How is it different from a Framework Agreement? The key issue is that the University will have committed to only use the nominated supplier (or on occasions suppliers) to provide the products or services concerned and will be in breach of contract if it does not meet that obligation (whereas under a Framework Agreement the University is not committed to place any particular level of business with the supplier).

**Competitive Requirements:** For Commitment Contracts where there is only one supplier there is no requirement to undertake any further competitive process and no single source approval is required. For Commitment Contracts where there is more than one supplier the requirement is to either obtain prices from all of the Approved Suppliers that have a Commitment Contract or to compare prices on a price list and decide which supplier you wish to use. It is recommended that where there is a Commitment Contract with more than one supplier you contact the relevant Procurement Category Manager for advice on this process.

7. **How to Use Framework Agreements (make a Purchase using an Approved Supplier)**

What is a Framework Agreement? A Framework Agreement is a “standing offer” established with a supplier to supply products and services to the University subject to certain terms and conditions of contract and in accordance with a base price list or discount structure. A supplier which has a Framework Agreement with the University becomes an Approved Supplier.

There are two types of Framework Agreement –

- Framework Agreements where there is only one supplier;
- Framework Agreements where there are multiple suppliers.

**How is it different from a Commitment Contract**

Under a Framework Agreement a binding contract is only made when the University issues a Purchase Order authorising the supplier to proceed with the provision of products and services. There is no absolute commitment to purchase any products or services from the supplier.

**Competitive Requirements**

From a purely procedural point of view the main benefit of Framework Agreements is that (as previously noted) they enable the University to comply with the Public Contracts Regulations. However, the Regulations require that certain competitive processes are undertaken in respect of each purchase made as a “call off” against a Framework Agreement where there is more than one supplier available on that Framework. Therefore:

Where there is only one Approved Supplier available on the Framework Agreement for the products and services concerned no further competition is required and a Purchase Order can be placed.

Where there is more than one Supplier available on the Framework Agreement the value of the proposed purchase determines the competitive requirements as follows:
### Estimated Value

<table>
<thead>
<tr>
<th>Estimated Value</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £10,000 ex-VAT</td>
<td>No competition required, select Approved Supplier from those available.</td>
</tr>
<tr>
<td>£10,001 to £25000 ex-VAT</td>
<td>Mini Competition in the form of a Request for Quotation process involving all Approved Suppliers with a Framework Agreement for the products or services concerned.</td>
</tr>
<tr>
<td>More than £25,001 ex-VAT</td>
<td>Formal mini competition involving all Approved Suppliers with a Framework Agreement for the products and services required – you are required to consult with the Procurement Division before making any commitment.</td>
</tr>
</tbody>
</table>

In all cases the assumption is that the same award criteria will be used in selecting the source of supply as was used in making the contract award decision for the original Framework Agreement. This may mean that there is no need to actually undertake any competitive process – if you believe that this may apply, again please consult with the Procurement Division before you initiate a mini-competition and certainly before any commitment is made.

### 8. Competitive Processes and Procedures

If there is no Approved Supplier available for the products or services that you require the Manual of Financial Rules sets out the extent of competition that is required in order to provide evidence that best value is being secured and that compliance is being achieved with both the Public Contracts Regulations and the Financial Rules. When considering the value of the purchase in order to decide which process applies you should note that:

- The full value of the purchase (whether that be a project value or equipment value etc) should be considered. For example for equipment purchases you should consider the value of the equipment, plus any accessories, support and maintenance agreements and so on and not just the cost of the equipment.

- Your decision as to the competitive process to be applied should be based on your reasonably foreseeable expenditure (and technically that of the University as a whole) aggregated over 4 years. Hence, for example, if you are considering employing a consultant to undertake a feasibility study you should proceed as if the outcome of the study is that the project will proceed and use the total cost of the project to determine the value. This prevents problems and difficulties being encountered any later stage.

- You must not disaggregate to avoid going through the correct procedure.

**Remember saving money is vitally important for the University, therefore, when procuring items via one of the routes listed below, also consider whether costs might be reduced via obtaining additional added value, but way of additional guarantees’ or benefits for the University, or also by “value analysis” to reduce the cost of the materials, processes or waste etc.**
<table>
<thead>
<tr>
<th>Estimated Value</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £500 ex VAT</td>
<td>Estimated Price – consider using the University Purchasing Card for these transactions.</td>
</tr>
<tr>
<td>£501 - £5,000 ex VAT</td>
<td>Written Quotation.</td>
</tr>
<tr>
<td>£5,001 - £10,000 ex VAT</td>
<td>At least three competitive written quotations or Single Source Approval from the relevant College Finance Team or Professional Services Director.</td>
</tr>
<tr>
<td>£10,001 - £25,000 ex VAT</td>
<td>At least three competitive written quotations or Single Source Approval from the Director of Procurement and Insurance.</td>
</tr>
<tr>
<td>£25,001 - £181,302 ex VAT</td>
<td>At least three competitive written quotations against a formal Request for Quotation process, or at least three Tenders against a formal Invitation to Tender process or Single Source Approval from the Director of Procurement and Insurance. Express written contract signed by Director of Procurement and Insurance as delegated authority of the Director of Finance.</td>
</tr>
</tbody>
</table>

Please note: under the 2015 EU Directives, if the University is planning to advertise a specific requirement to widen the competition, all requirements over £25,000 (if advertised) should be published in the national Government Contracts Portal – Contracts Finder at: [https://online.contractsfinder.businesslink.gov.uk/](https://online.contractsfinder.businesslink.gov.uk/)

Please also note: if you use the “In-Tend System” (the University’s own tendering portal) using the “tick box” function for advertising will ensure your requirement is put onto Contracts Finder automatically.

Above £181,302 ex-VAT

Competitive Tender process in compliance with the Public Contracts Regulations 2015 – you must consult with the Procurement Division before any competitive process is initiated or commitment made.

Single Source Approval is not available for purchases in excess of £181,302 ex-VAT – this is the threshold at which a process that is fully compliant with the Public Contracts Regulations is required and this is a statutory obligation. Please note; if you award a contract above this figure without an EU competitive process you risk compromising the University legally.

Please note: under the 2015 EU Directives, if you are going to advertise a tender for requirements in the EU, you must now consider firstly, whether you can divide the requirement into smaller “Lots” in order for Small to Medium Sized Enterprises (SME’s) or smaller organisations, such as; Voluntary, Third Sector or Mutual organisations to have the opportunity to bid for elements of the contract, rather than just available to the larger organisations. If you are unable to divide the requirement into smaller “Lots”, you must have justification as to why this is the case.
Tender opening: all tenders over EU Level must be opened with a staff member from Internal Audit present as witness. All tenders below the EU level do not require Internal Audit witnessing unless it is for an ERDF procurement where audit may be present if deemed appropriate to evidence full compliance for the DCLG.

Please note; the EU Threshold for Works is £4,551,413

Information on the Single Source Approvals process is available at: https://intranet.birmingham.ac.uk/finance/procurement/I-need-help/Single-Source-Approval.aspx

Contracts Finder Portal: Under the Public Contracts Regulations 2015, the University is required from the 1st April 2015 to carry out the following actions in relation to advertising of quotations or tenders;

(a) If you are seeking to directly advertise any form of requirement valued at £25,000 upwards, you must also advertise on the Contracts Finder Portal.

(b) Once you have awarded a quotation or a tender requirement valued at £25,000 upwards you must publish an Award Notice onto Contracts Finder Portal regardless of whether the tender or quotation requirement was initially advertised there or not.

Please note; the University will infringe the 2015 Directives if the advertising and contract award notice principles are not followed

9. Funders’ Competitive Processes and Procedures
Some of the Funding Agencies and Funders that provide funding for research and other activities to the University stipulate that certain procurement and purchasing procedures must be administered and on occasions these may be different to those required by the University. If necessary you should check the conditions of the grant or the research contract to ensure that the University complies with the requirements and does not inadvertently breach the conditions of grant or contract by failing to observe and apply the requirements.

Irrespective of any provisions set out in funders’ conditions of grant or contract, the University will still be required to comply with the Public Contracts Regulations 2015 where the purchase is captured within the scope of the Regulations.

10. Exemptions
Exemptions from quotation or tender thresholds can be obtained where the requirements meet the following criteria;

(a) There are no specific EU Common Procurement Vocabulary (CPV) Codes that cover this requirement.

(b) These are payments to other public institutions that are carrying out work on our behalf, or in collaboration with the University, e.g. research collaborations or clinical trials work involving other Universities, Hospitals and other Health Services, etc.

Authorisation for an exception request would come via the Director of Procurement and Insurance and must meet the above criteria. Exemption is requested when the trials project is approved and would include milestones or known payment schedules as part of the approval process.
Please note; Research funds such as; Economic Challenge Investment Fund (ECIF) or similar cannot be exempt due to the procurement terms required with the funding. Also, procurement may still need to run a Voluntary Ex Anti Transparency (VEAT) or a Schedule 3 (social and other specific services) procedure prior to authorisation.

11. Requesting, Evaluating and Accepting a Quotation
A model Request for Quotation form is available at: 
https://intranet.birmingham.ac.uk/finance/procurement/ERDF/checklist-7.aspx

A basic principle of the University’s Financial Rules is that the acceptance of any quotation or estimate other than the lowest cost option is not permitted unless in exceptional circumstances. However, when assessing and evaluating quotations you should seek to determine which quotation offers the best value for money taking into account qualitative aspects as well as price. In particular you should consider:

- compliance with specification;
- ensuring that the product/service offered is not “over-engineered”;
- fitness for the intended purpose/use of the products or the output of the services;
- relative quality and reliability (such as mean time between failure; expected life cycle; upgrade costs etc);
- flexibility of service;
- aftersales services and warranties;
- cost of consumables;
- environmental impact;
- overall life cycle costs/total cost of acquisition (including operating costs and costs associated with disposal or residual value) over the period of use;
- the ability of the supplier to meet the requirements and provide the necessary back up and support should things go wrong.

In summary you should ensure that there is a balance between the need to ensure that you have the right products and services to meet your needs; that a value is placed upon any aspects that exceed your requirements and the total cost of ownership, giving due regard to the cost of undertaking the procurement/process again and the costs (financial and otherwise – including reputational) that will be incurred if the products or services fail to meet the requirement.

Quotations for products and services which are not available from Approved Suppliers where the value is less than £25,000 ex-VAT are generally accepted by issuing a Purchase Order. Quotations from Approved Suppliers up to the EU level ex-VAT are also generally accepted by issuing a Purchase Order (but where the value of the purchase is in excess of £25,000 ex-VAT you should consult with your College/Professional Services Finance Office or the Procurement Division).

Quotations for products and services which are not available from Approved Suppliers where the value is in excess of £25,000 ex-VAT are processed by the Procurement Division – you should arrange with your College/Professional Services Finance Office to send the Purchase Order and all supporting documentation to the Procurement Division for necessary action to be taken to negotiate a detailed contract.

If placing orders over £25,000 ensure the contract has been advertised appropriately in accordance with the 2015 EU Directives (as highlighted in Section 8).

In no circumstances should you make any sort of commitment unless and until a Purchase Order has been authorised/signed by an authorised person (see section 14 below).
12. Requesting and Evaluating an Invitation to Tender and Accepting a Tender
Where a formal invitation to tender process is required to be undertaken you must contact the Procurement Division for assistance. The relevant Procurement Category Manager will work with you to explain and agree/confirm the process and assist in putting together the necessary documentation.

The Procurement Division will lead in the administration of the process; assist you with the formal tender assessment and evaluation; undertake the administration of the Contract Award Decision process and arrange for the Contract to be signed by an authorised representative of the University. The evaluation of the Tenders will take into account the aspects referred to in section 8 but this will be formalised into more specific Award Criteria which will form the basis of the Contract Award Decision.

Please note that tender processes governed by the Public Contracts Regulations have specific minimum time scales associated with them. It is therefore essential that you plan any procurement that is subject to a competitive tender process and in particular those captured by the Regulations and allow adequate time in your overall planning for the receipt of the equipment, products or services to accommodate the tendering process.

13. Protecting Cardholder Data (PCI DSS)
PCI DSS (Payment Card Industry Data Security Standards) is concerned with protecting our customer cardholder data and is a requirement of our Merchant Services Agreement. Therefore when procuring new software the University must ensure the system and processes are compliant before implementing otherwise we risk losing our compliant status and could incur fines and other penalties.

Where a new system (or process) involves cardholder data it is your responsibility to contact the PCI Team at; pcidss@contacts.bham.ac.uk, which must be done prior to procuring software to seek advice on how to proceed.

Please be aware that as a matter of course, Procurement will refer all software services that involve accepting monies to the Income Processing section for their review. Should PCI DSS compliance be affected the University cannot approve a requisition or commence a tender process until approval to continue has been issued from the PCI Team.

Therefore, key things that need to be considered within a contract of any size would be;

- Does this involve accepting money? For example, a new till or system that links to the internet to accept online payments?
- If the answer is “yes” this needs to be highlighted with the PCI Team to confirm if this is acceptable and compliant, or requires a review prior to awarding a contract.

14. Raising a Requisition
Most Colleges require that Requisitions are raised setting out the details of the propose purchase, these are then sent to the College Finance Office for the Purchase Order to be created. Details of the Requisitioning process used by your College can be obtained from the College Finance Office.

The University has an E-Marketplace in operation, this allows for many suppliers and products to be available to the University via a full E-Catalogue, The University is keen to get as many routine products as possible purchased via the E-Marketplace as a £37.00 per order saving can be claimed for the University via its EMM annual returns. The link to the list of suppliers on the marketplace is: https://intranet.birmingham.ac.uk/finance/documents/public/Current-suppliers.pdf
15. Creating the Purchase Order
Where possible, individual officers should use suppliers already set up on the PROACTIS system. This saves considerable time as setting up new suppliers requires several additional checks to meet Audit requirements. Also constantly creating new suppliers makes the database gradually unmanageable and then requires a “clean down”, therefore using where possible existing suppliers (or if this cannot be achieved use a Purchasing Card) will help to keep the supplier database at a manageable level.

All purchasing transactions undertaken on behalf of the University with the exception of those undertaken using the University Purchasing Card (see section 18) must have a Purchase Order and Purchase Order number as previously noted under no circumstances should you make any sort of commitment unless and until a Purchase Order has been authorised/signed by an authorised person.

The University uses an electronic Purchase Order Processing system (Proactis) and there are generally at least two levels of Purchase Order authorisation within Colleges and Professional Services – the person responsible for Budgetary Control and Management within the College and then the person responsible for creating and issuing the Purchase Order (which is usually a person in the College or Professional Services Department Finance Office).

Where the value of a Purchase Order exceeds £25,000 ex-VAT in value it is also routed to the Procurement Division for further authorisation. Once authorised electronically by the Procurement Division, the Purchase Order must be printed off locally and sent to the Procurement Division together with all relevant documentation to enable a Contract to be negotiated (see section 8).

If you do not have a valid account code it will not be possible to create the Purchase Order and you will not be able to progress the transaction.

If the supplier is not an Approved Supplier or is not set up or available for use on Proactis you will need to request that a new supplier record is created or that the supplier record is activated

Generally the College/Professional Services Departmental Finance Office will assist with this or undertake to administer this process.

Further details on the process for requesting and setting up a New Supplier and re-activating a Supplier record can be found at: http://www.birmingham.ac.uk/forms/finance/newsupplierform.aspx

It is important to ensure that the full and complete information is included on any Purchase Order issued by the University whether by electronic media or in paper format.

16. Who can make Commitments and sign Purchase Orders and Contracts?
For purposes of probity and to maintain standards of governance (and to ensure that those involved in the expenditure of University funds are protected) the Financial Rules require that at least two people are involved in the purchasing process. This is generally the person that generates the demand/raises the Requisition and the person that creates and signs off the Purchase Order.
There are generally three ways in which a commitment to purchase can be made:

**Using the University Purchasing Card:** there are a limited number of these Cards allocated to each College and only the individual named on the Purchasing Card can make commitments and undertake transactions using the Card, however, the University is now promoting this as the preferred method for small ad hoc requirements (see section 18);

**Issuing a Purchase Order:** each College/Professional Services Department will have staff that are authorised to authorise expenditure against certain Budget Codes but this is authorisation to commit the spend, it is not authority to authorise and sign the Order. Purchase Orders up to a certain value can be authorised and signed within the College/Professional Services Department, further information on who has the relevant authority within each College/Professional Services Department can be obtained from the College/Professional Services Departmental Finance Office. However, any Purchase Order where the value exceeds £25,000 ex-VAT will be routed by the Proactis system to the Procurement Division for authorisation and, unless otherwise advised by the Procurement Division, must be sent to the Procurement Division for signature before any commitment is made;

**Signing a Contract:** the University’s Financial Rules require that all contracts for the purchase of products and services should be signed by the Director of Finance or delegated authority. Currently that authority has been delegated to the Procurement Division. All contracts for the purchase of equipment, products and services where the value is in excess of £25,000 ex-VAT must be sent to the Procurement Division for review and signature. For contracts below £25,000 ex-VAT, if signing on suppliers terms and conditions you may wish to consider contacting the Procurement Division for advice on the terms and conditions prior to placing an order.

Purchase Orders are optional where the purchase is being processed using the Purchasing Card, but a Purchase Order must be issued where a contract is being signed to ensure that payment can be properly processed.

### 17. Claiming VAT Zero Rating or VAT Exemption

The VAT regime within which the University operates is complex and advice should initially be sought from your College or Professional Services Departmental Finance Office if you are contemplating claiming that a purchase is VAT zero rated or VAT exempt (and this is equally important if you are putting together a bid for a research grant). Expert advice is available from the Finance Office; Treasury Management Team (VAT Advisor).

Further information on VAT can be found at: [https://intranet.birmingham.ac.uk/finance/vat/index.aspx](https://intranet.birmingham.ac.uk/finance/vat/index.aspx)

Key points to note regarding VAT are:

- Specific certificates have to be completed for VAT zero rated purchases on an Order by Order basis – “blanket” zero rated certificates are not currently recognised or accepted by HMRC (the relevant forms are available on the Proactis system and are completed as part of the Purchase Order process). Signed hard copy certificates are required as HMRC does not currently accept electronic documents;

- VAT is payable on purchases made from overseas (and this may be in addition to Duty). For the EU and some purchases outside of the EU the VAT will be “reverse charged” that is the VAT has to be “collected” by the University rather than the supplier on behalf of HMRC. This is achieved by the University “charging itself” and accounting for the VAT in that manner – even in these cases if VAT relief is being sought then the relevant certificates have to be completed;
• for the majority of purchases made from countries outside the EU, VAT (and Duty if applicable) is paid at port of entry to the UK and goods will not be released until VAT and Duty has been paid;

• There are substantial penalties that HMRC can apply if the University “gets it wrong” and in some cases there is personal liability, hence it is essential to do everything possible to apply VAT correctly.

18. Receiving Equipment, Products and Services
The University’s Financial Rules require that the person that has established that equipment, products and services have been received sign off and date relevant documentation and the receipt is then recorded on the relevant Purchase Order. Usually the goods receiving documents are passed to the College/Professional Services Departmental Finance Office for the receipt to be recorded. However, when receiving equipment, products and services you are recommended to note the following:

• check as much/many of the products delivered as you can while the delivery person waits - if you do not have time to check condition of the products always endorse the Carrier’s Delivery Note and the Supplier’s Delivery Note (if there is one) as “unchecked”. It is important to endorse both documents (where both are presented for signature) in order to protect your rights of rejection;

• if there is obvious damage to packaging or obvious shortages you have two choices:
  • refuse to take the delivery; or,
  • accept the delivery, making the delivery staff aware of the damage or discrepancy and provide something in writing that clearly sets out the detail of the damage or shortage.

Generally the delivery note should be endorsed as set out above – but as most couriers and suppliers now use PDA’s to obtain signatures it can be difficult to endorse delivery notes in the manner suggested above. You need to ask the delivery person whether it is possible to accept the delivery with qualifications using the PDA that they present for you to use to sign for the delivery. If it is not then your choice then is to either refuse the delivery or provide something in writing which the delivery person signs and both parties keep a copy;

• damage or shortages must be reported to both the courier/delivery company and the supplier immediately. Couriers and suppliers will have time limits for the reporting of such discrepancies (typically 3 elapsed days for the courier and 5 elapsed days for suppliers) – after that it will be at least more difficult and in the worst case not possible to make a successful claim against the courier or supplier;

• The same timescales as set out above apply even where there is no apparent damage or shortage, it is important to check products delivered for damage, faults or failures or shortages as soon as possible after receipt. If possible deliveries should be checked for quantity, compliance with specification and damage within 3 elapsed days, and should wherever possible be tested to confirm that they are operational within 5 elapsed days;

• For many items of equipment and products, delivery is only one stage of the purchase and the supplier may be required to install the equipment or products, with Acceptance Tests being required. If this is the case then you should ensure that Acceptance Tests are completed in compliance with the terms and conditions of the contract, and within the timescales set out in the contract.
Remember to be aware that products can get lost in transit and never arrive at all. Make a note of the expected delivery date for the products and ensure that you progress chase delivery as appropriate. The University may have accepted that risk of loss or damage passes at the time of despatch and if action is not taken it may not be possible to secure compensation for any products lost in transit.

When equipment of a higher financial value has been delivered you must ensure that the equipment is recorded on the College/Professional Services Departmental Asset Register. If the value of the equipment is greater than £100,000 including VAT you must notify the University Insurance Office of its acquisition and receipt. Further information on Insurance can be found at: [http://www.insurance.bham.ac.uk/](http://www.insurance.bham.ac.uk/)

Where you are signing or being requested to sign to confirm the receipt of services you should check that the output of the services meets your requirements and that the services have been provided to the appropriate standards. You should also consider whether the number of hours that may be claimed on a timesheet are accurate and again ensure that you are satisfied that the services have been provided to appropriate standards and that the outputs meet the requirements.

The same principles apply for services as they do for equipment and products – if you do not have time to check the accuracy of any delivery documentation presented and there is, or you believe that there is a discrepancy, then endorse the timesheet or delivery note accordingly. This at least provides a basis for discussion with the supplier.

19. Invoicing and Making the Payment

Unless specific arrangements have been made with the Procurement Division and/or the Treasury Management Payments Section, a key principle of the University’s Financial Rules is that a Purchase Order must have been created in order for an invoice to be processed. This principle applies irrespective of the type of payment (advance or staged payment or against a pro-forma invoice) and the only exception is a payment made using the University Credit Card (in which case any invoices received are clearly not processed such that a payment is made).

The University’s preferred method of payment is by BACS transfer, payment by cheque will only be made in special circumstances and by specific request (and cheque payments will take longer).

The only other method of payment generally used is the University Purchasing Card (see section 18) although specific arrangements for other methods can be made (usually these involve additional cost).

Standard payment terms are 30 days from date of invoice, procedurally the University’s Payments Team need to receive invoices authorised for payment no later than close of business on **Friday** in order for payment to get to suppliers by the following week. This allows the Payments Team time to check and clear invoices for payment by the Tuesday when the Bacs is created.

Further information on making payments to suppliers can be found at: [https://intranet.birmingham.ac.uk/finance/supplier-payments/payments-team.aspx](https://intranet.birmingham.ac.uk/finance/supplier-payments/payments-team.aspx)

In addition payments to international suppliers need to be processed in a different way to suppliers located in the UK. Further information on these types of payments is available at: [http://www.finance.bham.ac.uk/foreign_pay/](http://www.finance.bham.ac.uk/foreign_pay/)

In terms of the invoice authorisation process, the names, specimen signatures and limits applicable to individuals given delegated authority from the respective Head of College/Head of Professional Services to authorise/sign off invoices for payment is held in Treasury Management – Payments Section of the Finance Office.

Annex 003 Procurement Procedures
By authorising an invoice for payment the authorised person is accepting (and taking the responsibility for confirming) that:

- equipment, products and services have been received and are satisfactory;
- prices are correct;
- the coding is correct and funds are available to make the payment;
- expenditure is a valid and approved charge;
- calculations are correct;
- appropriate records have been made in the College/Professional Services Departmental Asset Register or stores record (both where appropriate);
- the receipt of the products and services has been properly recorded; and
- the invoice has not been approved and authorised previously.

On occasions it may be necessary to make payment where it is not possible to confirm that all of the above circumstances prevail. Specific examples include:

**Advance Payments** to suppliers, these are permitted provided that, in the case of advance payments the amount of the payment is less than £5000 ex VAT. If the amount is greater than £5000 ex VAT the supplier must be requested to provide an on default Bank Guarantee for the full value of the advance payment.

*Please note;* there may be costs levied by the supplier for Bank Guarantees, these costs will need to be factored in as part of the budget for supplying the goods or services, therefore ensure when assessing supplier tenders or quotations the Bank Guarantee cost elements are considered. *This will then save time later factoring in costs linked to advanced payments.*

*Ideally;* avoiding payment in advance wherever possible is the best option.

If the supplier is unwilling or unable to provide a Bank Guarantee you should consult with the Procurement Division. It is possible for the University to proceed with an advance payment without a Bank Guarantee and take the risk associated with proceeding – that risk being that if the supplier goes into receivership or administration the advance payment will be lost and the College/Professional Services Department will have to find the money to purchase the equipment, products or services again.

If you wished to continue with an arrangement the Procurement Division would obtain a credit report on the supplier and if that report showed the risk of proceeding was reasonable, the approval of the Head of College/Professional Services Department (who would meet the costs from their own budget) would be required. Procurement recommended the following position on advanced payments:

- On Advanced Payment requests over £5K and up to £25k, then the College would accept upfront payment terms with the approval from the Head of College.
- On Advanced Payment requests over £25k then the College must obtain a Bank Guarantee from the Supplier prior to submitting documents to the Procurement Team.

**Staged payments to Suppliers** – are also commonplace for major equipment purchases and on occasions involve payments prior to delivery of the equipment. You should seek the advice of the Procurement Division in regards to these payments as essentially they are advance payments.

 Though the equipment may have been produced (in whole or in part) the same risks manifest themselves as for an Advance Payment. Bank Guarantees will not generally be sought for staged payments (as they
are usually captured within the advance payment) but basically the same provisions for advance payments apply. Where a staged payment is required in advance of delivery, such payments above £5000 ex-VAT can only be made where a Bank Guarantee has been put in place by the supplier, unless specifically agreed otherwise by the Procurement Division.

**Payment against Pro-forma Invoices** – these are advance payments by another name but with the added disadvantage that there will be little or no knowledge of the supplier and it is unlikely that you will be able to obtain a Bank Guarantee. If you wish to proceed with a payment against a pro-forma invoice, the same principles as those set out in respect of an Advance Payment apply and a Purchase Order must be created and issued before any commitment is made.

_General principles when considering any form of advance payment to suppliers for goods or services received in accordance with specified requirements;_

(a) **Balance of Risk;** the balance between University funds being paid in advance to a supplier and the cost of goods or services not being delivered effectively (leading to dispute resolution).

(b) **Options Considered;** discussion has taken place with the supplier (or bidder) on options, for example, several staged payment, increased cost but guarantee now included etc.

**20. Using the University Purchasing Card**
The University now requires (wherever practical) for staff to use a University Purchasing Card (P-Card) for small one off purchases rather than create supplier records on the Proactis system (which take time and resources to create and then clutter up the system with old supplier records that then require ad-hoc clearing), using the Purchasing Card resolves this problem.

The University P-Card acts in the same way as a “normal” credit card, in that payment can be made for products and services and the amount paid using the Card is recovered from the University by the Card provider by means of a monthly direct debit payment by the University against a statement issued by the Card provider. There is limited time to dispute any payments made against the statement received. The P-Card can only be used for low value transactions where there is no Approved Supplier available to supply the products or services required.

There is an individual P-Card transaction limit of £520. However, this can be increased to £1000 for a card holder with approval from the Head of College/Head of Professional Services if this is more appropriate for operational requirements (thus providing greater flexibility). A monthly spend limit of £5000 for each Card issued (these limits can only be increased with the approval of the Head of College/Head of Professional Services, or by delegated authority). P-Cards are only made available to staff in Colleges and Professional Services that have responsibility for purchasing and processing Purchase Orders, no other member of staff is permitted to apply for, or have a P-Card, other than for reasons related to Business Continuity, and colleagues that have a P-Card are not permitted to allow other members of University staff to use or have access to the P-Card or their PIN number.

Those in possession of a P-Card are required to have and maintain a log of transactions undertaken using the Card and a second person in the College or Professional Services Department (generally from the College or Professional Services Finance Office) is required to reconcile the transaction log against the print out of transactions provided by the Card Holder. Further information on the Purchasing Card can be found at: [https://intranet.birmingham.ac.uk/finance/procurement/I-need-help/eps4.aspx#eighteen](https://intranet.birmingham.ac.uk/finance/procurement/I-need-help/eps4.aspx#eighteen) or contact the University Purchasing Card Administrator, Geoff Williams on extn 45947 or email G.N.Williams@bham.ac.uk
21. International Purchases

Essentially purchases from overseas organisations are subject to the same Financial Rules and Procedures and guidelines as those set out in this document for UK/domestic purchases. The complexities arise when decisions have to be made with regard to payment methods and dealing with VAT and Duty.

Purchase Orders must be created for a purchase from an overseas supplier in the same way as for a UK supplier and the procedure for requesting a new supplier to be set up is also the same as for a UK supplier except that you should obtain the supplier’s (or “beneficiary’s”) bank details as set out on the Foreign Payments web pages at: [http://www.finance.bham.ac.uk/foreign_pay/](http://www.finance.bham.ac.uk/foreign_pay/)

Further information on importing and exporting goods can also be found at: [http://www.birmingham.ac.uk/university/governance/policies-regs/Insurance/index.aspx](http://www.birmingham.ac.uk/university/governance/policies-regs/Insurance/index.aspx)

The headline points to note when purchasing products and services from overseas are:

- for low value transactions and for some higher value, higher risk transactions it may be worth using the University P-Card to make payment for the transaction. This may especially apply where an advance payment is required as the use of the P-Card may offer greater protection and opportunities to recover money if things go wrong;

- the exchange rate and other charges (such as cross border charges) may, however, mean that the use of the P-Card increases the overall cost of the transaction;

- if payment is to be made against an invoice please make sure that all the necessary bank details are obtained and provided to the Payments Section to avoid delays in payment. Bank details must be correct and accurate in order to avoid payments being made to incorrect accounts etc which will again result in additional costs;

- avoid “urgent” payments as these attract higher transaction costs which have to be passed on to the College or Professional Services Department that has requested the transaction;

- avoid payment terms such as Irrevocable Letters of Credit – you should contact the Procurement Division if you are required to use any payment process other than standard electronic transfer of funds;

- you should alert the Procurement Division or Treasury Management Payments Section if you are about to place a high value or contract/Purchase Order, or series of high value contracts/Purchase Orders in US Dollars (“high value” being USD 10,000 or more) as the University has a policy of “hedging” against movements in the US Dollar/sterling exchange rates in order to “smooth” significant fluctuations and provide budget certainty on major purchases (if the purchase is processed through the Procurement Division it will be automatically picked up and referred for hedging);

- always create and issue a Purchase Order ensuring both sides – the front of the Purchase Order and the reverse setting out the University’s Conditions of Purchase – are sent to the supplier. This at least gives the University some limited opportunity to contest that the University’s Standard Conditions of Purchase apply in the event of any dispute (and that if the case were to go to Court, it would be administered through the English Courts);

- for higher value/risk purchases (in excess of £25000 ex-VAT) ensure that a contract is in place;
• ensure that you take care of and understand the shipping and delivery arrangements. Many overseas suppliers refer to “Incoterms” (these are internationally agreed standard terms that apply to the shipment of goods) and there are several options available under Incoterms which determine who is responsible for arranging the shipment of, and insurance for the goods. The ideal option is Delivered Duty Paid (“DDP”) University of Birmingham but this may be cost prohibitive and each case needs to be considered on its own merit – whichever option is selected you should ensure that you understand what needs to be done and by which party;

• note that where a shipping agent is used (as opposed to a courier) then:
  
  o if the agent does not have a VAT deferment account (which enables the agent to make payment of VAT and Duty on behalf of the recipient of the goods), the University will have to pay VAT and Duty (if applicable) direct to HMRC;
  
  o if the agent has a VAT deferment account the University will have to make payment of the VAT and Duty to the shipping agent

Whichever option applies arrangements will need to be made to make payment promptly to avoid storage and interest charges being applied. Payment can in some cases be made by Purchasing Card (this will need to be arranged with the College/Professional Services Departmental Purchasing Card holder) or otherwise arrangements will need to be made to process an invoice in the normal manner but accepting that immediate payment is required.

22. Disposal of Equipment and Products
The Head of College/Professional Services Department is responsible under the University’s Financial Rules for the use and security of assets under their control and this responsibility extends to the disposal of the assets at the end of useful life.

The disposal of many assets is governed by legislation – and as most of the assets requiring disposal will take the form of electrically operated equipment of all types and values the primary legislation that governs disposal is the Waste Electrical and Electronic Equipment (WEEE) Regulations.

A primary source of information on the disposal of waste electrical and electronic equipment is available at: https://intranet.birmingham.ac.uk/finance/procurement/I-need-help/weee.aspx

More generally the following should be considered when seeking to dispose of equipment and products whether these are formally defined or recognised as “assets” or otherwise:

• the ownership of the asset or retention of interests in the asset by the funding agency that originally provided the funds to purchase the asset must be considered. Some funders retain ownership or an interest in the asset and you may need to obtain permission before you are able to dispose of the asset in any way (including a change of use within the University). You should therefore check the conditions of grant(s) or contract(s) with any funding agencies that provided funding for the original purchase and any subsequent upgrades etc to ensure that you can dispose of the asset without the funder’s prior authority and that the University can retain any proceeds from the disposal;

• certain assets (such as photocopiers) are leased and do not belong to the University and it is for the owner of the assets to dispose of this equipment. However, the University may be obliged to remove and return the assets to the owner at the University’s risk and expense. Reference will need to be made to the original contract/lease agreement in these cases;
• if you are looking to sell or donate electrically operated equipment to an external third party, that equipment must be tested before its sale to ensure that it is safe to use. Even if you do this and include a disclaimer (see below) there is no absolute guarantee that this will protect the University from being held to be liable in the event of death or personal injury or damage to property – there is therefore always risk when selling electrical equipment in particular to external third parties;

• if electrically operated equipment is to be transferred internally to another College whether for transfer of funding or otherwise, School or Professional Services Department it must also be tested to ensure it is safe to use prior to the transfer taking place and then after it has been transferred and (where necessary) installed;

• the original purchase contract for certain items of equipment may prevent the sale, donation or transfer of such equipment to third parties at all (whether for scrap or otherwise) or may stipulate that the equipment cannot be sold on/exported to certain countries (or nationals of certain countries). This is particularly so where the equipment was originally manufactured in the USA (with export regulations preventing the onward sale, donation or transfer) – again it will be necessary to check the original purchase contract to confirm the situation;

• for computer equipment it will be necessary to remove all of the software (except the operating system) and all of the data contained on the computer before it is sold or transferred to any third party (whether scrap or otherwise). The only exception to this is if disposal of computing equipment is undertaken by a specialist organisation that certifies that all software other than the operating system and data will be removed before the equipment is sold on or scrapped. Most software licences are non-transferable (including the standard packages such as Office) and as many of software houses are based in the USA the same restrictions on sale and disposal as set out for equipment apply to software. It is particularly important to ensure that personal data is removed from electronic storage media prior to disposal for legislative (Data Protection Act) compliance reasons;

• there should be no issue with transferring computer equipment and software to other Colleges, Schools and Professional Services departments within the University as the University is the legal entity and the licensee of the software and not individual Colleges, Schools or Professional Services Departments. However, purchase contracts and software licences in particular should checked that the use of the equipment and software by other areas of the University is permitted;

• disposal of all assets as scrap must be undertaken in compliance with all relevant and applicable legislation and University Approved Suppliers should be used where they are available, whether the waste equipment and products requires to be handled by specialists or whether it is possible to place scrap items into a skip (in which case the University’s Approved Suppliers for the hire of skips must be used);

• if necessary, any equipment or products placed in a skip should be rendered unserviceable and unusable;

• before making any asset available for disposal to any third party (including staff), the asset should be advertised within the University – the Procurement Division has an email facility available for this purpose. Please contact Geoff Williams extn. 45947 or email: G.N.Williams@bham.ac.uk for further information;
• if no College or Professional Services Department expresses an interest in taking the equipment or product:

  o computer equipment should be disposed of as scrap either by means of the original equipment manufacturer’s WEEE compliant disposal scheme or by using the University’s Approved Supplier for the disposal of computer equipment;

  o other equipment, including furniture, can be made available for sale or donation to an external third party if it is in good condition and, in the case of electrical equipment, it has been tested and confirmed as being safe to use (see previous note on this subject);

  o the extent of competition to be sought for the equipment or products will depend on the perceived residual value or the actual value of the equipment or products. You should contact the Procurement Division to obtain advice on the extent of competition that should be sought;

  o if any assets are disposed of (by sale or donation) to an external source (irrespective of whether the source is a commercial company or an individual, and irrespective of whether the assets are being sold or donated) a Delivery Note with a standard disclaimer should be issued on University headed paper and a signature obtained from the recipient confirming that the assets are sold as seen with no warranties express or implied. The model Delivery Note is available at: (link to be created)

  o if you are considering selling or donating higher value assets it may be necessary to have an express contract of sale – you should contact the Procurement Division for advice;

  o where the proceeds of the sale are less than £50, an invoice can be issued for the agreed amount on University letter headed paper and the administration of the purchase is concluded locally; Treasury Management – Credit Control must be requested to raise an invoice for any amounts due in excess of £50 – further information on raising an invoice is available at: http://www.finance.bham.ac.uk/creditcontrol/invoice.shtml

  o the delivery note or the invoice must provide for the transfer of ownership to the asset to the third party;

  o VAT is chargeable on the sale of any asset to any external organisation and should be shown separately on any invoice;

  o the disposal of an asset must be recorded in the College/Professional Services Departmental asset register by the College/Professional Services Department. The register must record:

    ▪ the date of disposal;
    ▪ description of the asset;
    ▪ name and address of the recipient;
    ▪ amount received;
    ▪ account code credited;
    ▪ authorised signature

    a brief explanation should be included if no competition was sought for the disposal of a higher value asset or the asset was sold or donated to a member of staff;
- if the asset originally cost in excess of £100k or required special insurance cover, the Treasury Management – Insurance Office should be informed of any transfer of the asset within the University or any sale or donation to a third party so that relevant insurance records can be amended.
Frequently Asked Questions

Why can’t I purchase products and services using my own credit card?
The University policy, as set out in the Financial Rules is that personal methods of payment should not be used for any goods or services intended for personal use. There is a concession that low value purchases of less than £30 can be made in this way and reimbursed through the expenses process – but this is a concession and does not affect the general principle.

I can get the product/service cheaper from a local shop/contractor. Why must I use an Approved Supplier that costs more?
It is acknowledged that there may be opportunities where products and services can be purchased at, on the face of it, more competitive prices than those available from Approved Suppliers. It is often said that you should have ten good reasons for doing something. In the case of using Approved Suppliers you should please consider the following:

- the complete “cost of acquisition” – there is a cost to any sourcing activity and the time spent sourcing products and services could be used more productively in undertaking other activities. If there is an Approved Supplier available the purchasing process is much more streamlined (see section 6 – How to use Commitment Contracts or section 7 – How to use Framework Agreements) as the sourcing and competitive activities have already been completed;
- in most cases where you are using an Approved Supplier, even where you have to seek competition, you only have to obtain a price, and in some cases (e.g. stationery) the whole transaction is undertaken electronically which is much more efficient and reduces the cost of acquisition still further;
- an Approved Supplier has earned the right to this status by going through a rigorous competitive tendering and evaluation process and the University has committed to use the supplier because of the overall value of the supplies and service that it offers and provides. The evaluation process takes into account the total cost to the University of doing business with the supplier and this informs the decision on the appointment of Approved Suppliers;
- where there is a Commitment Contract in place the University has a contractual obligation to use that supplier (see section 6 – How to use Commitment Contracts?) and would technically and actually be in breach of that contract if it were to use an alternative source without the prior agreement of the Approved Supplier;
- The overall pricing tendered by the Approved Supplier for a Commitment Contract or a Framework Agreement will have been on the basis that a certain amount of business will be placed by the University with that Approved Supplier. If there is a significant amount of “off contract spend” the Approved Supplier will not be able to sustain the pricing structures and levels that it has established and the end result may be that the University’s costs overall for the products or services concerned may increase (it is appreciated that the University can go back to the market in such cases, but that exercise in itself carries a cost);
- The University establishes Service Level Agreements with its Approved Suppliers and these are regularly reviewed. If there is an issue with an Approved Supplier’s service, or a dispute arises the University has much greater influence and ability to resolve that dispute quickly and to its satisfaction or even advantage;
in many cases the University is using Framework Agreements that have been established by University Purchasing Consortia – hence, there is further incentive for an Approved Supplier to avoid or resolve disputes given that support can be obtained from the Higher Education Sector;

you have assurance that an Approved Supplier will deliver products and services that are compliant with specification (whether that be a published specification or the University’s written requirements) and that the University has contractual rights if it fails to do so;

Where appropriate you have assurance that an Approved Supplier is properly qualified and certified to supply (and where necessary install and service) the equipment and products and provide the services. You also have the assurance that any appropriate and necessary guarantees and warranty provisions are in place for the products and services and that the Approved Supplier will honour those guarantees and warranties;

The University has a policy of maintaining its supplier base at a level commensurate with its expenditure on products and services, which recognises the fact that there are significant costs associated with setting up, maintaining and managing suppliers generally, but in particular supplier payments and records. The greater the quantity of suppliers the greater the cost to the University;

Finally, the University is defined as a Public Sector organisation and therefore a Contracting Authority under the Public Contracts Regulations (Supplies, Services and Works) Regulations 2015. This means that it is legally obliged to undertake an open and transparent competitive tendering process which complies with the Regulations for all products and services where the expenditure on an individual purchase, or on “repeat demand” products and services is reasonably foreseen to exceed a certain financial threshold when aggregated over four years. Failure to comply with these Regulations by either not complying at all, or breaching the terms of Contracts or Framework Agreements established in compliance with the Regulations places the University a position where it may be in breach of contract and may also be exposed to a challenge through the High Courts for breach of the Regulations (and the financial consequences of both, but the latter in particular, could be significant).

More information on the Public Contracts Regulations can be obtained by contacting the Procurement Division or at (link under construction). Ultimately, as illustrated above, there are many reasons for using Approved Suppliers that are associated with best practice and efficiencies, but we do have to stress that the University needs your support in ensuring that it does not breach the Contracts (in particular the Commitment Contracts) or Agreements that it has in place and that it complies with its procurement related regulatory and statutory obligations.

Why must I raise a Purchase Order when I don’t know what the cost will be (e.g. for a repair)

The University’s Financial Rules require that a Purchase Order should be created before any commitment is made and the main reasons for this requirement are first to ensure that funds are available to meet the commitment, and second to endeavour to establish at least some form of contractual terms and conditions, particularly where no Commitment Contract or Framework Agreement is in place. If you proceed to instruct a supplier to supply products or provide services verbally or in writing but not using a Purchase Order, it is clear that no formal check has been made as to the availability of funds, but from a commercial perspective you have created a legally binding contract where the terms and conditions, but perhaps fundamentally the price, has not been clearly identified. As a result you are relying almost totally on the supplier acting in good faith in setting the price and technically, in law, if they supply products or provide services they are entitled to charge whatever price they claim as being payable.

Annex 003 Procurement Procedures
In summary issuing a Purchase Order without a price or prices stated on it to a supplier is similar to issuing a “blank cheque” and technically you have no idea how much to budget – and equally technically the University would be obliged to pay the invoice no matter what the amount (and would not really have any sort of negotiating position to dispute the amount).

It is, therefore, recommended that you insert the details of the requirement onto the Purchase Order together with the words “Purchase Order Value not to exceed without the express written authority of the University” and the amount that has been estimated and notified to you or that you estimate and are willing to pay should be inserted (but see note about repairs in particular below).

For repairs, if you are sending equipment or goods away for an assessment for repair and the provision of a cost estimate it is not recommended that a Purchase Order be created at this point. However, it is recommended that you get some form of receipt for the equipment or products that are handed over to the supplier even if the supplier provides a document (and definitely if the supplier does not provide any documentation), it is worth considering Identification information at the very least a letter heading with a description of the equipment or products with a statement such as “received for the purpose of providing a repair or refurbishment cost estimate in good condition other than the fault requiring repair”. You should also get a signature; the recipient’s name printed and the name of the Company and contact details stated on the receipt.

If you are authorising a supplier to proceed with repairs or refurbishment, you should create a Purchase Order to send either with the equipment or products or sent out subsequently with a Purchase Order value not to exceed amount stated as described above. Where the purchase involves repairs or refurbishment in particular (but in actual fact in relation to any Purchase Order with an estimated or Purchase Order value not to exceed statement) there is always the risk that the estimated amount will be reached and to proceed further will exceed the authorised amount. At that point you either have to decide not to proceed further and pay the amount due (if necessary) or proceed to complete the repair, if you elect to proceed you should establish a firm and fixed price and issue a Purchase Order Amendment.

Why doesn’t the University buy more locally?
More than 50% of the University’s suppliers are actually within the greater West Midlands postcode area, and the University’s expenditure with those suppliers is of the order of 25% of the University’s overall annual commercial expenditure. However, the regulatory environment within which the University is required to operate prevents the University from discriminating in the selection of its suppliers on the grounds of geographical location. Consequently, as the University is required to comply with the Public Contracts Regulations 2015 it is not actually permitted to take location into account when making its contract award and other purchasing decisions.

The University endeavours to positively encourage local suppliers to compete for its business and will continue to identify and create opportunities for local businesses to compete for and secure opportunities to supply the University.

Are all Suppliers that are on the Proactis system Approved Suppliers?
No. Only suppliers that have been selected following the completion of a compliant competitive tender process are Approved Suppliers. Further information on the types of suppliers that are on the Proactis system is available at (link in progress).

How am I meant to know that a supplier on Proactis is not an Approved Supplier?
Information on the University’s Approved Suppliers is available at: https://intranet.birmingham.ac.uk/finance/procurement/I-need-to-buy-something/Approved-Suppliers.aspx
If the supplier is not listed on this web page then the probability is that you are not seeking to deal with an Approved Supplier. If you require any further details on the Supplier Set Up process or Approved Suppliers and suppliers in general, please contact the Procurement Division.

**Why do we have to go through Procurement? I've got the suppliers terms and conditions so why can’t we just use them and save time?**

If the value of the purchase that you are seeking to make is below the financial threshold (£25,000 excluding VAT) as a single transaction or in aggregate taken over the term of the project or purpose of the purchase, then consulting with the Procurement Division is optional (though recommended in some cases where the purchase is particularly complex or carries a high commercial risk).

For purchases in excess of £25,000 ex-VAT the University’s Financial Rules require that the purchase be referred to the Procurement Division and that an express contract, signed by both parties to be put in place. So it is a requirement of the Financial Rules that you consult with Procurement at this level of expenditure. Reference to the Procurement Division is also required (and is essential) to ensure that the University complies with its statutory and regulatory obligations.

Using the supplier’s terms and conditions of contract without review can lead to difficulties as they will be completely biased in favour of the seller/supplier – hence the requirement for each purchase to at least be supported by a Purchase Order as this gives the University some limited protection in the event of a dispute.

**Can / should I sign any contractual documents provided by Suppliers?**

Apart from documents received after the Purchase Order has been placed (such as Delivery Notes, Timesheets and such like – but even then you should take note of the content of section 16 – **Receiving Equipment, Products and Services**) you should avoid signing any contractual documentation presented by Suppliers. The University’s Financial Rules state that the Director of Finance or delegated authorised signatory should sign any contracts for the provision of equipment, products and services and you should consult with the Procurement Division before signing any supplier documentation.

This is particularly important if you are presented with a document that is a Lease, Rental or Hire Agreement of any kind – Lease and Rental Agreements may fall into the category of “operating leases” and the University is required to hold records and report separately on these arrangements in preparing its Annual Accounts. You should also avoid signing “Requests to open a Credit Account” or similar documents provided by suppliers as this tactic is frequently used by suppliers to establish their standard Terms and Conditions of Sale on all transactions undertaken with them.

**Can I buy Equipment or Products on ebay?**

University policy on the use of ebay is that this should not be used to source equipment or products. If you wish to use ebay then you should email the Procurement Division (procurement@bham.ac.uk) providing details as to why you wish to use ebay and providing evidence confirming that you have undertaken sufficient enquiries to ensure that supplier that you will be contracting with is a legitimate source; that the equipment or products that you are intending to purchase actually exist and that you are satisfied that the quality and quantity of the equipment or products is as presented and described by the supplier. The Procurement Division will consider your request and advise whether it is acceptable to proceed, but it is unlikely that higher value purchases will be authorised.

Unless otherwise agreed by the Procurement Division, payment for ebay purchases must be made using the University Purchasing Card.