UNIVERSITY OF BIRMINGHAM

PROCUREMENT PROCEDURES

June 2019

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Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requisitioner</td>
<td>Anyone placing a request for Goods or Services on Oracle, requisitions over £500 need budget holder approval, approved requisitions come into the Buying Team to be turned into an order with the supplier.</td>
</tr>
<tr>
<td>Contract</td>
<td>This is a signed and legally binding agreement between the University and a supplier for goods or services.</td>
</tr>
<tr>
<td>Framework Agreement</td>
<td>This is an overarching agreement with a number of suppliers to potentially provide requirements at preferential rates to the University, often with a mini competition to secure best value.</td>
</tr>
<tr>
<td>Goods Receipt Note</td>
<td>Provided by the supplier as evidence goods have been received, goods receipt must be booked into Oracle as quickly as possible to ensure the supplier will be paid quickly once goods or services have been delivered.</td>
</tr>
<tr>
<td>Value Added Tax (VAT)</td>
<td>This is standard rate tax added to the cost of goods, most items have a standard 20% VAT. However, some items such as food or medical products hold different, or “zero” tax levels.</td>
</tr>
<tr>
<td>Specification</td>
<td>A clear description of the goods or services you wish to purchase. A clear specification will mean there is less chance of requirements delivered incorrectly and the lowest cost quotation can be accepted.</td>
</tr>
<tr>
<td>Award Criteria</td>
<td>When running a quotation or tendering exercise, this criteria will form the basis on which the correct supplier will be selected, it is normally a balance between price and quality.</td>
</tr>
</tbody>
</table>

Useful policies to consult as part of this document:

- Purchasing and Corporate Card procedures
1.0 **Introduction**

1.1 The Procurement Procedures apply to all staff involved in requisitioning or contracting goods or services on behalf of the University of Birmingham.

1.2 All staff should seek to achieve value for money, consider the environment and the local economy when ordering goods or services.

1.3 These procedures operate on the basis of existing legislation and the use of Oracle.

2.0 **Purpose of document**

2.1 The aim of this document is to provide procedures for the procurement process in place at the University of Birmingham. The intention is to ensure that all expenditure incurred by the University is in line with the Manual of Financial Rules and adheres to key principles. All expenditure should demonstrate:

- Value for money; to ensure University budgets are optimised as much as possible
- Quality; sufficient quality to meet the requirement, but not over specified and greater cost
- Environmental; ordering with due consideration to the local environment and Due Process; all suppliers will be treated fairly and transparently

2.2 Key principles when creating requisitions:

- Routine or standard day-to-day purchases will utilise existing Contracts or Framework Agreements, these will be either pre-loaded into Oracle or can be located by the Buying Team by creating a requisition in Oracle or enquiries via the; buyingteam@contacts.bham.ac.uk

- All requests to incur expenditure will need to be approved by the Budget Holder, it will not progress to the Buying Team until this stage has been completed

- Requisitions should be submitted with supporting documentation (i.e. quotations, agreement, membership renewal information and Single Source Approval form or supplier details). Failure to do so will delay the process by creating rejected requisitions.

- Requisitions with poor description will also be rejected. Please consult Appendix 1 and 2 for guidance.

- If your requirement is for IT, Software, or hazardous chemicals, an additional Technical Approval will be required prior to releasing the requisition to the Buying Team for action

- Any order between £500 and £181,302 will require quotations. Please consult Appendix 3 for the Contract Threshold

- The University of Birmingham operates a “no purchase order no pay” process. Any invoices received without a valid purchase order number will be returned to the supplier. This applies to both UK and overseas orders.

3.0 **Requesting goods, equipment and services**

3.1 When creating a requisition in Oracle, ensure you have Budget Holder approval, if the items also require Technical approval (ICT, chemicals or hazardous items), ensure you have authorisation to request these items. Information on supplier details can also be located here.
Appendix 1 and 2 detail how to create a requisition and the requisition flow chart.

Service Standards

Procurement and Insurance, as part of Finance, strives to adhere to specific Service Standards. These standards (detailed in Appendix 4) contain the expected timeframes for processing.

External Funding

Guidelines stipulated by External Funding Agencies must be adhered to as part of the funding agreement. Submission of this agreement to the Buying team will be necessary at the point of raising a requisition. It is imperative these procedures are followed to ensure compliance.

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.

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) (publishing a notice in the EU Journal to make suppliers aware of our intentions to award a contract of this nature and raise challenges within a set timeframe if necessary) or a Schedule 3 (this allows a higher threshold of unadvertised spending on; health, social and other specific localised services) procedure prior to authorisation.

Requesting, Evaluating and Accepting a Quotation

Information for obtaining quotations from Framework Agreements can be located here.

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.

Please note; a well-defined specification should create the opportunity to accept to lowest priced tender or quotation due to clarity of the requirement.

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. For further guidance click here.
7.0 **Claiming VAT Zero Rating**

7.1 Advice on the VAT regime can initially be sought from your College or Professional Services function. The University, as a charity is eligible to claim zero-rating for certain purchases of the following:

- Certain goods, equipment, substances and medicinal products when used for medical research, training and diagnosis
- Charity advertising services
- Certain goods and services supplied for the purposes of adaptations for the disabled.

7.2 If claiming a purchase is VAT zero rated under these items, a certificate is usually required. Procedures relevant to your College or Professional Services function should be followed. However, in most cases, the certificate should be signed and dated for each requisition raised and attached to the supporting documentation for the requisition.

7.3 Specific advice regarding eligibility of individual purchases can be obtained from your College, Professional Services or the University Tax Team.

8.0 **Receiving Equipment, Products and Services**

8.1 The University’s requires that items ordered, when received, are receipted by the requisitioner ASAP. The requisitioner is responsible for ensuring that the items are:

- In a suitable condition for usage
- In the correct quantity
- As per the original order

8.2 Assuming the above is correct, the requisitioner will need to update the purchase order in Oracle to confirm the items have been received. If the items received are not at the quantity ordered then only the quantity received should be receipted.

8.3 Failure to update Oracle on items received will delay payment to the supplier.

8.4 In the eventuality that the goods are not as expected then the items should be refused or the delivery staff/supplier need to be made aware at the earliest opportunity that the items are either damaged or there is an issue. In this instance, do not “receipt” the items in Oracle until the issue is resolved and speak to the supplier regarding the issue.

8.5 If items have been “receipted” but items are then found to be damaged or incorrect, contact the supplier to arrange for replacement, if this matter is not corrected quickly buy the supplier, then contact; buyingteam@contacts.bham.ac.uk

8.6 Generally advance payments are not made to suppliers, if advanced payments are required, this must be approved by the Deputy Director of Finance. Occasionally, milestone payments are made to suppliers as part of the contract due to work stages. The guidelines are set out below:

- Advance payments of less than £5,000 ex VAT will require written evidence of delivery activity related to the payment.
- Advanced Payments of £5000 to £25,000 written evidence of delivery activity related to the payment requires approval from the Head of College in liaison with the Deputy Director of Finance.
Advanced Payments requests over £25,000 must be accompanied by a Bank Guarantee from the Supplier prior to submitting documents to the Procurement.

9.0 International Purchases – VAT and Duty

9.1 Essentially purchases from overseas organisations are subject to the same Financial Rules and Procedures as those set out in this document for UK/domestic purchases. For “EU purchases”, the following elements need to be considered:

- VAT is payable on purchases made from EU suppliers but in most cases, the EU supplier will not charge the University VAT in the first instance but the VAT will be “reverse charged”, that is the VAT has to be “collected” by the University.
- Care should be taken by budget holders to note the Reverse Charge will be applied, and the requisition will be subject to 20% VAT even if this is not shown in the approval amount.
- Where an item is eligible for zero-rating and a relevant certificate has been attached – no Reverse Charge will apply.
- No duty is currently payable on purchases from EU suppliers whilst the UK remains in a Customs Union with other EU countries.

9.2 For “non EU purchases” or 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;

9.3 For “delivery and shipping” ensure 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;

9.4 Note that where a shipping agent is used (as opposed to a courier) then

- 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;
- if the agent has a VAT deferment account the University will have to make payment of the VAT and Duty to the shipping agent

Advice on “Incoterm” can be obtained via Procurement at; procurement@bham.ac.uk
Appendix 1: Creating a Requisition

The ordering of goods and services will be activated by creating a catalogue or a non-catalogue requisition in the Oracle “purchase to pay” system. When you submit your requisition it will go to your Budget Holder to approve. Once approved your Requisition will go to the “Buying Team” to review the requirement against existing contracts and then turn the requisition into a purchase order on your behalf.

Key items you need to consider when raising a requisition


(b) Does your requirement already have an existing contract in Oracle? (If NO / not sure - click here).

(c) Does your requirement already have a supplier in Oracle? (If NO / not sure – click here for a list of approved suppliers or leave blank for Procurement).

(d) Does your requirement not have an approved supplier but you have a supplier identified (tick as New Supplier and insert the supplier name and details onto your requisition)

(e) You must attach supporting documentation (i.e. quotations, agreement, membership renewal information and Single Source Approval form or supplier details) with your requisition.

(f) Your requisition will not be released to the Buying Team until the Budget Holder has approved the expenditure.

(g) If your requirement is for IT, Software, or hazardous chemicals, an additional Technical Approval will be required prior to releasing the requisition to the Buying Team for action.

(h) Do you have a clear understanding of your requirements and value for money? You will need to consult Procurement in the first instance if your requirement is above £25k.

Key considerations using Oracle

(a) You can search for suppliers (if known) on the “requisitioning request page” (these may either be accepted by the Buying Team, or adjusted to the appropriate nominated supplier).

(b) E-Marketplace/Catalogue requisitions below £500 (non-hazardous or ICT related) will be automatically approved.

(c) There are also 2 x Budgetary Approval Pools:

<table>
<thead>
<tr>
<th>Approval Pool</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower level approval</td>
<td>less than £10,000</td>
</tr>
<tr>
<td>Higher level approval</td>
<td>greater than £10,000</td>
</tr>
</tbody>
</table>

(d) Requisitions missing supporting documentation or with poor descriptions will be rejected by the Buying Team.
Examples of Meaningful Descriptions

- Subscription to Birmingham Chamber of Commerce renewal 01.12.2018-01.12.2019
- SAPC Conference, attendance by John Smith on 18th December 2018, London.

(e) Check that your Category Name/Number is appropriate and relevant to the purchase.

(f) Check that the “Tax Classification Code” and “Intended Use” you select from the drop down menu is appropriate. This specifies the type of tax that is to be applied.

(g) Ensure any supporting documentation is attached to your requisition.

Does your requirement already have a contract in place?

The majority of Procurement Contracts are put in place via a tendering process to establish the best overall value for money for the University, key items you need to know about our Contracts;

(a) University procurement contracts will be negotiated on our terms and conditions to protect the University as much as possible.

(b) All University procurement contracts will be put in place in a fair, open and transparent way to ensure suppliers bidding for contracts are treated appropriately.

(c) Contract award information can be requested and accessed by unsuccessful suppliers via the use of the Freedom of Information Act (FOI).

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.

Why doesn’t the University buy more locally?

More than 50% of the University’s suppliers are within the greater West Midlands postcode, annual University expenditure with those suppliers averages 25% of the total spend. However, the regulatory environment within which the University operates prevents discriminating in the selection of suppliers on the grounds of a “favoured geographical location”, the emphasis is placed on value for money, fairness and transparency.

The University endeavours to positively encourage local suppliers to compete for its contracts and will continue to identify and create opportunities for local businesses..
Appendix 2: Requisition Flowchart

Creating a requisition

Consideration of the following areas:
* Is it really needed? What would the impact be if it wasn’t purchased?
* What is it that you need?
* Do you have sufficient budget?
* Are there any specific terms that need to be taken into account? (e.g., grant terms, timeline, etc.)

Submit to the buying team

Is it below £500?

Order auto approved

Order placed with supplier

Requisitioner receives goods/services from supplier. Are they as expected?

Receipt goods/services on the system, upload any additional information

Invoice received in Accounts payable to facilitate payment. Does the invoice match what was requested on the requisition?

Send back to requisitioner (quantity query) or buying team (price query)

Process for returning goods

Does it require technical, IT, or additional approval?

Request additional information from the requisitioner

Approval from relevant department

Are the buying team able to place the order? Review the timeline of service standards

Resubmit for order placing

Yes

No

No

Yes

Yes

No

Yes

No

Yes

Yes

No

Yes

No

Yes

No
## Appendix 3: Contract Thresholds

<table>
<thead>
<tr>
<th>Estimated Value (Excluding VAT)</th>
<th>University Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £500</td>
<td>Estimated price only; consider using a Corporate Card for these transactions</td>
</tr>
<tr>
<td>£501 - £5,000</td>
<td>One Quotation</td>
</tr>
<tr>
<td>£5,001 - £10,000</td>
<td>Three Quotations or Single Source Approval (SSA) will be processed by the Buying Team in Oracle.</td>
</tr>
<tr>
<td>£10,001 - £25,000</td>
<td>Three Quotations or Single Source Approval (SSA) from Procurement</td>
</tr>
<tr>
<td>£25,001 - £181,302</td>
<td>Three Quotations against a formal “Request for Quotation” process, or at least three Tenders against a formal “Invitation to Tender” process or Single Source Approval (SSA) from the Director of Procurement and Insurance with an “Express Contract” signed by the Director of Procurement and Insurance (as delegated by the Director of Finance). Please note: requirements over £25,000 that have been advertised to widen the competition must also be published on the Government Contracts Finder portal. The University’s tendering portal “In-Tend” uses the “tick box” function for uploading onto Contracts Finder automatically. “Award Notices” are also required for Contracts Finder.</td>
</tr>
<tr>
<td>Above £181,302</td>
<td>A compliant EU Tender process. You must consult with Procurement before any process is initiated or Contract created. Please note: the EU Threshold for Works is currently £4,551,413.</td>
</tr>
</tbody>
</table>
Appendix 4: Service Standards

Below are the Service Standards set for the Procurement and Insurance function:

<table>
<thead>
<tr>
<th></th>
<th>Time taken to raise an order with a supplier</th>
<th>90% orders will be placed with a supplier within 1 working day.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>General advice, signposting and feedback</td>
<td>90% general queries will be responded to within 5 working days.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>This includes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Advising which procurement policy applies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Customer feedback</td>
</tr>
<tr>
<td>3</td>
<td>Telephone enquiry service</td>
<td>&lt;15% calls to the buying, procurement and insurance teams will be abandoned.</td>
</tr>
<tr>
<td>4</td>
<td>Contract awards</td>
<td>90% Contracts will be awarded to suppliers within 10 working days of receipt of either:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) express contract details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) three valid quotes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c) Single Source Approval</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(within EU thresholds)</td>
</tr>
<tr>
<td>5</td>
<td>EU tenders</td>
<td>Open EU tender procedures will take up to 3 months (depending upon; market, stakeholders and complexity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Restricted EU tender procedures will take up to 5 months (depending upon; market, stakeholders and complexity)</td>
</tr>
<tr>
<td>6</td>
<td>Insurance Team – New Claims</td>
<td>90% insurance claims will be acknowledged within 2 working days.</td>
</tr>
<tr>
<td>7</td>
<td>Insurance claim – Payments</td>
<td>90% claims will receive payment within 3 working days from the date of fault being admitted (applies to both students and staff claims).</td>
</tr>
<tr>
<td>8</td>
<td>Insurance claims – general correspondence</td>
<td>90% of general correspondence (e.g. relating to ongoing claims) will be responded to within 3 working days.</td>
</tr>
</tbody>
</table>