

**Manchester
Metropolitan
University**

**FINANCIAL PROCEDURE – 4
PURCHASING PROCEDURES**

Financial and Legal Services

29th January 2010

Financial Procedure – 4, Purchasing Procedures

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Financial Procedure – 4, Purchasing Procedures

1 Introduction

1.1 General

These procedures must be followed by all members of staff who are required to purchase goods, services or works (“supplies”) on behalf of the University. All individuals are responsible for ensuring that The University obtains best value for money. This must be achieved by ensuring;

- 1 Supplies are only ordered in line with their department's needs and that once received the goods and services are satisfactory, both in terms of quality and quantity;
- 2 Supplies should be purchased at the most effective price possible, which is consistent with the quality required. Where possible, existing contracts should be used. The Procurement Department can advise on existing contracts and can also assist with more complex transactions;
- 3 Purchase transactions are in accordance with The University's Purchasing Procedures.

1.2 Definitions

“**Goods**” are defined as physical tangible products and ownership is transferred to the buyer when paid for.

“**Services**” are defined as activities carried out by skilled resources, which do not result in the transfer of ownership when paid for.

“**Works**” are defined as building and civil engineering activities either as new constructions or repair and maintenance.

1.3 Objectives of the Purchasing Procedures

The objectives of these Procedures are to:

1. Ensure a consistent, best practice approach to procurement across the University;
2. Ensure all employees have a clear understanding of the University's Procedures and what is required of them;
3. Provide the most appropriate supplies to the University at optimal value for money; and
4. Protect the University, and the individuals involved, from the considerable risks associated with procurement not being properly conducted.

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This Procedure also applies to all contractors or retained consultants involved at any stage in the University's procurement with third parties.

1.4 Key Principles

This Procedure is based on the following underlying principles:

1. Having a budget is not the same as having the authority to commit that expenditure. Only authorised signatures are permitted to commit the University to expenditure to third parties.
2. All expenditure must comply with the appropriate EU and UK rules, regulations and legislation.
3. Expenditure means the 'aggregated expenditure', i.e. the total expenditure over the duration of the contract. The artificial sub-division of 'aggregated expenditure' is not permitted.
4. Where appropriate frameworks exist, such frameworks must be used as detailed in the University's Purchasing Guide on the intranet:
www.fin.mmu.ac.uk/purchasing/psamenu.asp
5. Generally sole sourcing without competition for bought in supplies should not be undertaken, i.e. requirements should be subject to competition. In circumstances where competition is not possible (sole supply) the reasons must be detailed in writing and the decision to sole source without competition agreed in advance with the Procurement Department.
6. It is imperative that there is clear segregation of duties in terms of requisitioning, authorisation, receipting and payment.
7. When procuring supplies, adequate consideration must also be given to health and safety, environmental and social considerations.
8. Everyone involved in the procurement process must exhibit the highest ethical standards.
9. Responsibility for compliance sits with both the individual and their line manager.
10. The commitments of expenditure with a supplier will normally be made via a Purchase Order. However, purchasing cards are also used to commit expenditure. Purchase Orders or purchasing card transactions are herein defined as Orders.

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1.5 Roles and Responsibilities

The parties involved in raising a Purchase Order on behalf of the University will be the:-

Originator – shall mean an individual who has a requirement to buy goods/services/works by initiating an Order using the University's funds. The Originator must ensure that the expenditure is a valid charge on the budget and that sufficient funds are available by checking with the Budget Holder.

Authorising Officer – shall mean an individual who has been given delegated authority and responsibility for managing a budget within a Faculty/ Department. The Authorising Officer may authorise the Order up to his/her Delegated Authority Level, providing a sufficient budget exists. Any purchase valued in excess of this value must be authorised by a member of staff with the appropriate Delegated Authority Level. The Authorising Officer may only authorise expenditure if sufficient funds exist in the budget.

Approving Officer – shall mean an individual who has the authority to sign contracts and Purchase Orders legally committing the University in contract with suppliers and other service organisations. This is usually a member of staff in Financial and Legal Services.

All staff involved in the procurement process must ensure that the expenditure represents Value for Money (VfM) to the University. VfM is the term used to assess whether or not an organisation has obtained the maximum benefit from the goods, services or works it acquires, within the resources available to it. It not only measures the cost of goods and services, but also takes account of quality, resource use, fitness for purpose, and timeliness of delivery.

The Originator is responsible for the use of the goods/services/works purchased.

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2 Code of Ethics and Conflicts of Interest

2.1 Code of Ethics

Employees should undertake to work to exceed the expectations of the following code and will regard the Code as the basis of best conduct in procuring supplies.

Staff shall never use their authority or office for personal gain and shall seek to uphold and enhance the standing of the University by:

1. maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the University,
2. fostering the highest possible standards of professional competence amongst those for whom they are responsible,
3. optimising the use of resources for which they are responsible to provide the maximum benefit to the University,
4. complying both with the letter and the spirit of:
 - The Laws of England:
 - Contractual obligations
5. Rejecting any business practice reasonably deemed improper.

Employees should raise any matters of concern with regard to procurement ethical behaviour with their immediate supervisor.

2.2 Declaration of Interest

Any personal interest, which may impinge or might reasonably be deemed by others to impinge on a member of staff's impartiality in any matter relevant to his or her duties, should be declared to the staff member's Line Manager. A personal interest includes that of immediate family and friends.

2.3 Confidentiality and accuracy of information

The confidentiality of information received in the course of duty should be respected and should never be used for personal gain. Information given in the course of duty should be true and fair and never designed to mislead.

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2.4 Competition

While bearing in mind the advantages to the University of maintaining a continuous relationship with a supplier, any arrangement, which might, in the long term, prevent the effective operation of fair competition, should be avoided.

2.5 Inducements

Inducements to place Orders may be offered by suppliers. Any such benefits must accrue to the University and not to the individual.

2.6 Employees as Suppliers

Supplies to the University from employees who are conducting businesses outside the University or from businesses which are owned by an employee, retired employee or a close relative of an employee, or in which an employee or close relative holds significant interest must be strictly controlled. All prospective supplies where any of these circumstances apply must be referred to the Director of Finance for prior approval before any commitment is entered into.

2.7 Business Gifts

Business gifts, other than items of small intrinsic value such as business diaries and calendars, must not be accepted. Items of a personal nature, such as household items or for private use should be declined.

2.8 Hospitality

Modest hospitality is an accepted courtesy of a business relationship. However, the recipient should not allow him or herself to reach a position whereby he or she might be deemed by others to have been influenced in making a business decision as a consequence of accepting such hospitality; the frequency and scale of hospitality accepted should not be significantly greater than the University would be likely to provide in return.

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2.9 Personal Purchases

The University may on occasions allow staff to purchase equipment for educational purposes from nominated suppliers. Purchases will be processed by the Procurement Department and staff will be required to pay the University directly prior to receiving the goods.

Other than as detailed above, personal purchases must not be made in the name of the University nor should institutional resources be used in any way for the purpose of making personal purchases.

3 Authorities and Authorised Signatories

- 3.1 Each Head of Department is responsible for establishing procedures to ensure that supplies are ordered only in required quantities of suitable quality and at the best terms available, after appropriate requisition and approval. Procedures must be in place to ensure that supplies received are inspected and only properly ordered items are accepted before invoices are authorised for payment.
- 3.2 Financial and Legal Services shall maintain an Authorised Signature register of Authorising Officers and their Delegated Authority Levels. Any changes to the list of Authorised Signatories must be notified to Financial and Legal Services immediately. Heads of Department must provide Financial and Legal Services with specimen signatures of those staff approved to authorise Orders and to certify invoices for payment. The authorised member of staff responsible for signing the order form must not be the member of staff certifying the invoice for payment.
- 3.3 Heads of Department are also responsible for ensuring that goods received are stored in an acceptable environment.
- 3.4 The Heads of Department or Budget Holders are not authorised to commit the University to any expenditure without ensuring that sufficient funds are available within their budget to meet the purchase price of supplies obtained. In addition, only *bona fide* expenditure, which is expenditure, which results from the normal course of University business, may be authorised to be bought with University funds.

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3.5 The Originator of the Purchase Order may authorise payment of the invoice provided the invoice (or aggregation of invoices against the Purchase Order) does not exceed the Purchase Order value, or amended Purchase Order value, which has been approved in accordance with these Procedures.

3.6 The University expects all its employees to avoid even the appearance of possible impropriety. It is important therefore, that there is clear segregation of certain duties. To achieve this and to protect employees, duties shall be segregated to ensure that no one employee is authorised to requisition, approve, make the external commitment with a third party and receipt/authorise payment of invoices.

4 Purchase Orders

Official Orders must be placed for all supplies to be supplied to the University except for direct debit payments which must be approved by the Director of Finance.

4.1 Official Order Format

The following list indicates the information which must be presented on the official University Purchase Order:

1. Supplier's correct name and address in full.
2. Delivery address including name of person to whom reference can be made.
3. Quantity or volume of supplies required.
4. Full and accurate description of supplies required, including model number, colour and all technical details such as power supply, electrical loading, etc. Reference should be made to any quotation received together with the date and number.
5. Unit price of the supplies, extended value and total value for the Order. Any educational or quantity discount should be shown together with any other additional settlement terms and VAT.
6. Signatures of both the Originator and the Authorising Officer together with the date of signature.
7. All relevant expenditure codes.

4.2 Confirmation Purchase Orders

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In exceptional circumstances, e.g. in the case of an emergency repair, oral orders may be placed with a supplier. Wherever possible prior consultation must be held with the Head of Procurement and the Purchase Order logged in the Procurement Department. When oral orders are necessarily placed as a matter of urgency, the supplier must be given the official order number, the name of the person placing the Order and the name and address of the School or Department to which the supplies and the invoice should be addressed.

In all such cases a written Confirmation Purchase Order must be raised within twenty-four hours of instructions being given. It must be clearly marked: 'CONFIRMATION'.

The University reserves the right to refuse to pay invoices in respect of commitments for which no official Purchase Order has been placed.

4.3 Orders through ProMPT

In the interests of energy conservation and to ensure compliance with Health and Safety legislation, Orders for the following items must only be raised through ProMPT:-

- Furniture
- Shelving and notice boards
- Items in connection with heating and lighting including electric plugs, angle-poise lamps and space heating equipment
- Waste paper bins

4.4 Modifications, Variations or Extensions

Where there is a necessity to change the scope of the purchase in respect to:
price;
specification;
quantity;
value;
duration;

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the adjustment and reason for the adjustment must be detailed on a Purchase Order Amendment Form. All amendments must be authorised by an Authorising Officer with the relevant Delegated Authority Level for the amended order value or extension. The authorised Purchase Order Amendment Form should be sent to Procurement for approval.

4.5 Authorisation of Purchase Orders

All Purchase Orders must be authorised by an Authorising Officer with the appropriate delegated authority levels for the purchase. The Authorising Officer must be senior to the Originator.

4.6 Approving Purchase Orders

Authorised Purchase Orders should be sent to the Faculty Finance Office (for Faculty purchases) or the Procurement Department (for Central Services purchases). Procurement / Faculty Finance Staff will approve valid purchase orders up to the delegated approval levels and send to the Suppliers.

4.7 Requests for new supplier accounts

Requests to the Procurement Department to open accounts with new suppliers should be completed on a FIN 212 Vendor Request Form. Requests will not be considered unless it can be shown that there will be a continuous demand from the new supplier or that similar supplies cannot be obtained from our present suppliers. Only staff within the Procurement Department are empowered to open accounts with suppliers.

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5 The Purchasing Process

5.1 Sourcing of supplies

Sourcing is the identification of appropriate suppliers and the comparison of their products to achieve value for money.

Where the University or other consortium has negotiated prices and terms with suppliers these agreements should always be used. They mainly comprise:

- The University's Procurement Contracts
- North West Universities Purchasing Consortium Contracts
- Nationally negotiated contracts

Information on all the above can be found on the Buyers Guide.

Where no agreements currently exist for a product, information on suppliers may be obtained from:

- trade directories
- trade journals
- the Procurement Department
- the Buyers Guide on the intranet
<http://www.finance.mmu.ac.uk/purchasing/psamenu.asp>
- the internet

It must be understood that all prices quoted in the Buyers Guide are confidential and are not to be disclosed to a third party.

Notification of any suppliers offering better value for money than the University nominated suppliers should be given to the Procurement Department prior to placement of an official order and approval obtained before an order may be placed with a non-approved supplier.

5.2 Considerations when making purchasing decisions

When looking to make a purchase, the objective is to ensure that the supplier is capable of providing the supplies to the level of quality required. For many

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purchases, price and delivery will be the main criteria but for more complex purchases, other added value criteria to be considered include:

- i. financial viability;
- ii. design capability;
- iii. production capability and capacity;
- iv. quality assurance status and track record;
- v. cost management arrangements and track record;
- vi. delivery record;
- vii. environmental impact.

Equipment offered:

- i. extent to which it meets minimum requirement;
- ii. design/artistic qualities (where appropriate);
- iii. compatibility with equipment already in use;
- iv. 'extras' above minimum requirement which offer a cost effective advantage;
- v. scope for improvement or 'stretch' by later modifications or 'add ons';
- vi. conformity with standards (national, international, etc.);
- vii. reliability, i.e a proven record;
- viii. ease of maintenance;
- ix. defect reporting and rectification arrangements;
- x. repair/servicing arrangements.

Operating costs:

- i. running costs;
- ii. cost of spares: present and future;
- iii. servicing and maintenance costs;
- iv. storage and other support costs.

Product support:

- i. quality of after-sales facilities.

Replacement arrangements:

- i. receipts from eventual disposal;
- ii. commitment to particular replacement equipment;
- iii. replacement time frame.

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Strategic and structural:

- i. safeguarding of vital sources of supply;
- ii. length of the supply chain and its vulnerability to disruptions;
- iii. offset considerations i.e. maintenance costs, cost of spare parts against buying the right equipment in the first place;
- iv. effect of procurement on price, availability and competition for future supplies (e.g., arising from dumping or artificially depressed quotations) including, as appropriate, supplies for other public purchasers;
- v. effect on competitiveness of suppliers;
- vi. encouragement of innovation offering improved value for money.

Immediate costs of acquisition:

- i. initial price;
- ii. firmness of price (e.g., fixed or without variation of price, cost plus);
- iii. basis for agreeing prices on associated or follow-on orders;
- iv. difference in cost-escalation over the period of the contract;
- v. foreign exchange risks and costs;
- vi. payment terms (e.g., on delivery or progress/stage payments);
- vii. cost of financing interim payments;
- viii. financial guarantee requirements;
- ix. duties and taxes;
- x. credit terms;
- xi. transport costs;
- xii. installation costs;
- xiii. cost of working capital for stocks;
- xiv. discounting factors;
- xv. differences in administrative costs (including overheads) to purchaser;
- xvi. warranties and technical guarantees offered;
- xvii. product liability arrangements;
- xviii. scope for, and cost of, accelerating or delaying procurement.

Delivery:

- i. conformity with requirement;
- ii. reliability of offer;
- iii. operational and financial effects of earlier/later availability;
- iv. costs and trade-offs with stockholding costs at various locations;
- v. limitation of damages.

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5.3 Details of the procurement process

The procurement process varies depending on the value of the supplies being ordered and if an agreement with the supplier exists.

Regardless of whether an agreement with a supplier exists or not, all low value purchases should, wherever practical, be carried out on a University purchasing card in accordance with Financial Procedure 05 – use of Purchasing Cards. The purchasing card speeds up the delivery process and significantly reduces the administration cost of the purchase. The cards are suitable for purchases up to the card limit.

Where it is necessary to repeatedly place Purchase Orders with a supplier, departments should look at placing a Call-off Order which is an order to supply goods or services up to a specified value. Deliveries can then be called off by phone or e-mail against this Purchase Order. When the value of goods or services received reach the Purchase Order value a new Purchase Order must be raised.

5.4 Aggregation of orders

In order to leverage total spend, optimise value for money and minimise transaction costs, all the University's spend for similar supplies should be aggregated and the procurement route determined by the aggregated value of expenditure. The 'aggregated value' is the total expenditure over the duration of the contract. Unless there are justifiable business reasons, the sub-division of 'aggregated value' is not permitted.

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5.5 Procurement Routes

Where no agreements exist for the purchase of supplies the procurement route is as detailed in this table

| <i>Reference</i> | <i>Goods Value (excluding VAT)</i> | <i>Method of Purchasing</i> |
|------------------|-------------------------------------|---|
| 1 | <£2,500 Goods& Services | Purchasing Card / Raise Purchase Order |
| 2 | <£3,000 Works | Purchasing Card / Raise Purchase Order |
| 3 | >£2,500 - ≤ £30K Goods& Services | Three quotations if no University contracted supplier |
| 4 | >£3,000 - ≤ £50K Works | Three quotations if no University contracted supplier |
| 5 | >£30K - ≤ £156,442 Goods & Services | Formal tender to minimum of 5 tenderers involving Procurement |
| 6 | >£50K - ≤ £3,927,260 Works | Formal tender to minimum of 5 tenderers involving Procurement |
| 7 | >£156,442 Goods & Services | Formal EU Tender involving Procurement Department |
| 8 | >£3,927,260 Works | Formal EU Tender involving Procurement Department |

Appendix 1 details the procurement routes

5.6 Collaboration with the Procurement Department

The involvement of the Procurement Department will vary depending on the degree of risk, technical complexity and the value of the purchase.

If there is uncertainty in terms of the degree of risk involved, or guidance is required on how best to procure such items, Procurement should be contacted.

Any potential and actual major disputes with suppliers should also be referred to Procurement.

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6 Construction Contracts

- 6.1 Building contracts (other than those for the Capital Programme) are the responsibility of The University's Estates and Services Advisory Group and are administered by the Head of ProMPT.
- 6.2 Proposals for building works will normally be initiated by the Head of ProMPT in respect of planned replacements, general improvement schemes, space planning, or in response to requests from departments.
- 6.3 Proposals for building works in respect of The University's Capital Programme will normally be initiated by the Head of Capital Projects in Financial and Legal Services
- 6.4 Consultants may be appointed if the project is either too large or too specialised for internal resources. Appointments shall be subject to these Procedures.
- 6.5 Proposals shall be presented in the form of investment appraisals, which must comply with HEFCE guidance.
- 6.6 Following consideration by the Estates and Services Advisory Group and approval by the Board of Governors, submissions should be forwarded to HEFCE where appropriate. If HEFCE agreement is required then their procedural rules must be followed. HEFCE guidance on best practice should be followed even when their approval is not required.

7 Quotations and Tenders

7.1 The Quotations procedure

- 7.1.1 Where no agreements exist for the provision of supplies and, subject to the special rules imposed by the funding body, quotations must be obtained for:
- Procurement of goods and services in excess of £2,500 (excluding VAT).
 - Procurement of works in excess of £3,000 (excluding VAT)
- 7.1.2 At least three detailed competitive quotations in writing must accompany Orders. The figures in 7.1.1 relate to the total amount of the Order, not to individual items on it.

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- 7.1.3 If, for any reason, alternative quotations cannot be obtained, a note to the Procurement Department from the Dean or Head must be provided giving reasons, e.g., a specialist sole supplier or ex-demonstration equipment being purchased. However, this situation should be avoided if possible.
- 7.1.4 Quotations will not be required where current prices have been arrived at as a result of a competitive tender, which has taken place in the previous 12 months, and prices remain unchanged.

Retention of Documents

For legal and audit purposes, the accepted quotation/tender documents, orders, and order records must be retained for six years plus the current year, unsuccessful quotation/tender documents for three years and invoices must be retained for six years plus the current year. Order records should be sufficient to justify the action taken in each case.

7.2 The Tendering procedure

- 7.2.1 Where no agreements exist for the provision of supplies and, subject to the special rules imposed by the funding body, a formal tendering procedure must be initiated for:
- Goods and Services valued between £30k and £173,934.00
 - Works valued between £50k and £4,348,000.

In all cases of formal tender the advice and assistance of the Procurement Department should be sought.

- 7.2.2 The tendering procedure includes the purchase of consultancy services.
- 7.2.3 At least 5 suppliers must be included on the tender list. Exceptionally, where fewer suppliers are in a position to provide the supplies, all such suppliers must be placed on the tender list and an explanatory note provided as to why the tender has only gone out to a limited number of suppliers.
- 7.2.4 The Procurement Department will forward the relevant documentation to the proposed contractor/supplier and will liaise with Legal Services regarding the return

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and opening of tenders. The closing date for returned tenders must be strictly adhered to.

7.2.5 The tendering process must be applied consistently and all staff involved with tendering must be able to verify that during their involvement, the tendering procedure has been adhered to.

7.2.6 Any person involved in the tender process who has a personal interest in any tender must declare this to the Head of Procurement at the start of the process.

7.2.7 During the tendering process, the details of any tender from a contractor or supplier are confidential and must not be disclosed to anyone outside the University.

7.2.8 At the end of the tendering process the tenders will be evaluated and a written tender assessment report prepared, signed off by the relevant Authorising Officer and sent to the Procurement Department together with the Purchase Order. The report should detail the selection criteria, the assessment of the tenders and recommend the successful supplier. If acceptable and within budget allocation, a contract will be let and the Purchase Order approved. Details of the successful tender must remain confidential to the University.

7.3 EU Tenders

7.3.1 EU Regulations: when they become applicable

The European Union has issued a series of Procurement Directives, which require member states to promote fair and open competition and to publish details of contracts above specified thresholds. These have been embodied in the Public Contracts Regulations 2006 (SI 2006 No. 5). Failure to comply with this legislation carries penalties for which the University will be held accountable.

7.3.2 EU Directives that apply to universities

The following directives include figures previously expressed in ECU (European Currency Unit) and the newly applied Special Drawing Rights (SDR). SDR is the accounting currency used by the World Trade Organisation (WTO). Any reference to the rates stated in euros will not make any difference to value transactions. The rates below apply from 1 January 2008 and are reviewed by the European Community every two years:

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Goods: The Public Contracts Regulations 2012.

Threshold - £173,934 (excluding VAT)

Services: The Public Contracts Regulations 2010.

Threshold - £173,934 (excluding VAT)

Works: The Public Contracts Regulations 2010.

Threshold - £4,348,000 (excluding VAT)

Contracts exceeding the thresholds have to be advertised in the Supplement to the Official Journal of the European Union (OJEU). There are other thresholds for indicative notices and small lots.

For all EU Tenders, the Procurement Department should be consulted for advice.

7.3.3 Definition of terms

The term 'contract' in the context of the EU regulations is identified as one of the following:

- i. an individual purchase contract above the limit;
- ii. one of a series of purchase contracts (orders) for similar items over a 12-month period valued above the limit;
- iii. part of a single procurement valued above the limit;
- iv. a lease or rental fixed term contract with a total value above the limit;
- v. a lease or rental contract of indefinite length, where the estimated total value based over 4 years is over the limit;

If there is any doubt as to whether the regulations apply, the Procurement Department should be consulted.

7.3.4 EU criteria regarding tendering procedures

Tenders should be invited in accordance with one of the following procedures:

1. Open: any company may apply that meets the criteria published in the OJEU.

2. Restricted: a limited number of suppliers are invited to tender from those who apply - this is normally stated in the notice, (OJEU advertisement), as within a range.

3. Negotiated: this can only be applied where previous tenderers have proved to be unsatisfactory or no tenders were received. It can be used where only one supplier is available due to artistic or technical reasons or where the tender is for additional deliveries by the original supplier.

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7.3.5 General

Regulations also apply which cover standards. Specifications, therefore, must not discriminate against suppliers from other EU member states by stating national standards or local brand names. When international standards can be used, they should be. Specifications should be output based i.e., specify the circumstances under which the supplies will be used and performance required, not the materials and methods used.

The tender notice should specify the broad technical and financial criteria against which the potential suppliers will be appraised. All applicants must be treated fairly and objectively.

Laid down criteria should be followed for the award of contracts. In the majority of cases, these criteria will be aimed at obtaining the most economically advantageous tender, rather than achieving the lowest price.

Special rules apply for concessions and design contracts.

Budget holders should be aware that each procedure has a minimum time-scale imposed upon it. This must be complied with in order to avoid potential legal action for an enforcement of obligations under the Public Contract Regulations 2006. Urgency is not a criteria in the selection process. Time-scales for a tender advertised in the Supplement to the Official Journal of the European Union (OJEU), vary between 37 and 77 days. A contract award notice must be placed in the Official Journal no later than 48 days after the award. The notice must include information concerning the company to whom the contract was awarded and the contract value.

In practice, the normal time scale, from start to finish of the EU Tender process, is 6 to 9 months.

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8 Contracts

8.1 Form of Contract

The majority of the University's purchases are made using Orders. For purchases that are more complex contracts are exchanged with the supplier. In as far as possible all contracts will normally be based on the University's Standard Terms and Conditions. If for any reason a company submits their own form of contract for signature this should be referred to the Head of Procurement or Head of Legal Department to ensure that the terms and conditions are acceptable prior to signature by the Director of Finance.

8.2 Professional Services

The appointment of auditors, bankers, solicitors, insurance brokers and other professional services should have the approval of the Vice Chancellor and the Director of Finance.

8.3 Hire Purchase and Lease Agreements

Agreements should be checked by the Procurement Department to ensure that the supplier's terms and conditions are in favour of the University. Examples of unfavourable terms and conditions are:

excessive delivery charges being imposed;

the risk and liability of the goods passing to the University at the point of loading rather than at delivery;

a contractor/supplier assigning or sub-contracting work to a third party without written approval of the University;

a supplier requiring a deposit or payment in full before receipt or delivery of good/services, e.g. Pro forma invoice or advance payments for maintenance charges.

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8.4 Contracting Mechanisms

A contract can be created orally or even by The University's actions. Therefore, to avoid unintentionally creating an inappropriate legally binding contract, it should never be intimated to a supplier that they have 'won the contract' and work must never be started prior to the 'order' being issued or a contract conformed and awarded. All expenditure with third parties shall be committed via Orders or contracts.

8.5 Pricing Structure

It is preferable that all contracts should be entered into on a fixed priced, fixed price lump sum or a target cost rather than a time and materials basis. However, to assist with the evaluation the fixed priced, fixed price lump sum or a target cost should be broken down into key constituents, e.g. materials, labour, etc.

8.6 Termination of Contracts

Contracts can only be terminated, or orders cancelled by Procurement once a written business case has been put forward from the Authorising officer and all associated implications fully considered.

9 Payment

9.1 Advance Payments to Suppliers

The University does not normally make any payment to suppliers prior to receipt and verification of goods. Should this not be possible, formal checks must be carried out by Financial and Legal Services on the credit status of the supplier. Approval of the transaction will only be given if a satisfactory status report is obtained.

9.2 Payment Terms

The University's standard payment terms are 30 days from receipt of invoice. Authorising of payments must not be delayed and if any interest is to be accrued due to late payment, the Procurement Department's advice should be sought. Standard payment terms should only be varied if substantial early settlement discounts are

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available and have been reviewed by the Head of Procurement or Senior Accountant.

9.3 Authorising of payments

9.3.1 Payments to UK suppliers will normally be made by BACS or computer produced cheques. In exceptional circumstances, the Director of Finance may prepare manual cheques for urgent payments. Suppliers must be instructed by the Originator to submit invoices to the department or unit concerned.

9.3.2 The Budget Holder is responsible for ensuring that expenditure within their function does not exceed the funds available.

9.3.3 Payments will be made only against invoices, which have been correctly certified for payment.

9.3.4 Invoices must be certified by authorised officers to show that:

- I. the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
- II. where appropriate, the invoice is matched to the Order;
- III. invoice detail including quantity, price, discount are correct;
- IV. the invoice is arithmetically correct;
- V. the invoice has not previously been passed for payment;
- VI. where appropriate, an entry has been made on a stores record;

The appropriate Accounting Codes should be recorded on the invoice and it should be sent to Financial and Legal Services as soon as it has been certified.

10 Receipt of supplies

10.1 Goods

Departments should specify that goods are delivered to one location where they should be physically inspected and matched to the supplier's delivery note. The delivery note must be signed and dated by the individual receiving the goods. If only part of an Order has been delivered this must be indicated on the delivery note. Where it is not possible to inspect the goods at the time of delivery the person, receiving the goods should write "goods unchecked" on the delivery note before

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signing for receipt of the goods. The goods should then be checked to the delivery note as soon as possible thereafter. Any discrepancies or damaged or unsatisfactory goods must be noted and taken up with the supplier immediately. Delivery notes must be retained for reference and must be available for inspection by the auditors.

On receipt of the invoice, this should be verified against the delivery note(s) and if there is, no discrepancy the invoice should be approved and sent to:

- the Faculty Finance Office for non-capital faculty purchases
- Accounts Payable for non-capital central services purchases
- Capital Projects Office for all capital purchases.

Any discrepancies should be queried with the supplier and reported to the Faculty Finance Office/ Accounts Payable/ Capital Projects Office as appropriate.

10.2 Services

Where services supplied to the University are charged at hourly rates the time sheets should be checked, authorised and a copy kept to match against the invoice from the service provider. On receipt of the invoice this should be verified against the time sheet(s) and if there is no discrepancy the invoice should be approved and sent to

- the Faculty Finance Office for non-capital faculty purchases
- Accounts Payable for non-capital central services purchases
- Capital Projects Office for all capital purchases.

Where other types of services are supplied, the quality and quantity of services should be verified against the invoice and if there is no discrepancy the invoice should be approved and sent to the Faculty Finance Office or Accounts Payable as appropriate.

Any discrepancies should be queried with the supplier and reported to the Faculty Finance Office/ Accounts Payable/ Capital Projects Office as appropriate.

Copies of time sheets and service records must be retained for reference and must be available for inspection by the auditors.

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10.3 Works

Works performed by contractors should be measured and verified in accordance with the terms of the contract. Discrepancies should be queried before the invoice is submitted by the contractor. On submission of the invoice, it should be verified against the work completed and if there is no discrepancy, it should be approved and sent to:

- Accounts Payable for non-capital central services purchases
- Capital Projects Office for all capital purchases.

11 Stock Holding

11.1 Any goods or materials ordered by a department and stored within the department for any length of time are to be considered as stock, this includes items for use as class materials, catering and office products.

11.2 It is important that each item of stock be justifiable and held only for a specific reason:

- Essential goods: only those items whose immediate availability is considered essential to maintain a University service; and,
- Bulk purchased supplies; items of sufficient demand in common use, which offers a reduction in cost over direct supply taking account of stockholding costs.

11.3 Care should be taken in planning for the economic purchase and delivery of stock to coincide, where possible, to the date required for use. Unnecessary holding of stock is uneconomical. Shelf life should also be considered when determining the quantity to be ordered.

11.4 It is the responsibility of the department to ensure that all stock movements are recorded, that stock is kept in a secure place and that harmful substances are properly stored and marked. It is recommended that a member of staff in the department be nominated to be responsible for stock related matters, including periodic stock taking and year end valuation.

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12 Capital Equipment Allocation

- 12.1 Capital equipment refers to the new and replacement equipment agreed between the Deans of Faculty and the Vice Chancellor. The definition of such equipment is any item, which lasts for longer than the current accounting period and costs individually more than £1,000 exclusive of VAT.
- 12.2 The budget for capital equipment is held by the Procurement Department who will raise all Orders and also ensure that the certification for payment is completed.
- 12.3 Prior to the distribution of the Capital Budget, any financial commitment entered into by individual Deans must first be approved by the Director of Finance.
- 12.4 No financial commitment must be entered into by individual departments.

13 Value Added Tax

- 13.1 The Director of Finance, or any designated members of staff in Financial and Legal Services, shall maintain, in consultation with the Heads of Department, the VAT records for The University and shall make all VAT payments and receive all VAT credits, as appropriate.
- 13.2 The Director of Finance, or any designated tax specialists, is responsible for advising Heads of Department, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues affecting The University. Therefore, the Director of Finance, or any designated members of staff, will issue instructions on compliance with statutory requirements, including those concerning VAT, PAYE, National Insurance, Corporation Tax, Import Duty and other relevant legislation. Heads of Department are responsible for ensuring that relevant documentation is available for consultation by Statutory Bodies and the Director of Finance. Any tax liability on The University which arises from the failure to ensure that relevant documentation is available in departments, will be a charge on departmental funds.
- 13.3 The University has charitable status for VAT purposes and can therefore benefit from the zero-rating relief on certain goods and services. Contact the Procurement Department for advice in this area.

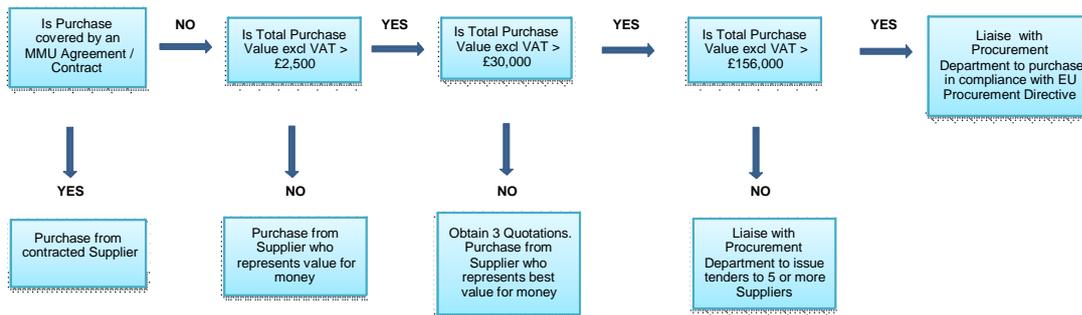
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Appendix 1: Process Flow Goods & Services

MMU Procurement Process for the Purchase of Goods & Services

This Process map outlines the Procurement Route for the University's purchases.
In all cases sufficient budgetary funds must exist before processing an order.



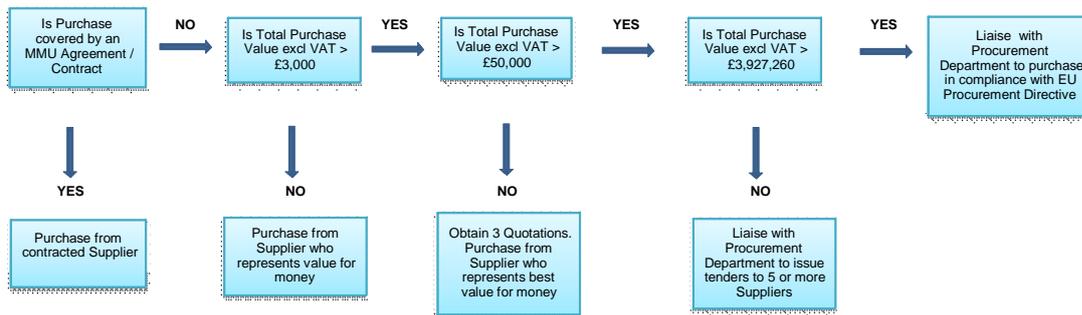
Value for money not only measures the cost of goods and services, but also takes account of quality, resource use, fitness for purpose and timeliness of delivery.

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Appendix 2: Process Flow Works

MMU Procurement Process for the Purchase of Works

This Process map outlines the Procurement Route for the University's purchases.
In all cases sufficient budgetary funds must exist before processing an order.



Value for money not only measures the cost of goods and services, but also takes account of quality, resource use, fitness for purpose and timeliness of delivery.