

Financial Procedure

Note 24

Procurement of Goods, Services and Works

Issued by Director of Finance, Planning and Data Insight
November 2020

This Financial Procedure Note provides additional guidance and supplementary information to the University Financial Regulations.

The requirements set out in this document are drawn from Financial Regulations which may be updated from time to time. The requirements of Financial Regulations supersede these requirements.

Compliance with these Financial Regulations is mandatory and non-compliance is liable to be treated as a disciplinary offence.

Financial Regulations apply to:

- all staff of the University
- all budget holders meaning any member of staff who has been given delegated budgetary authority or funds to manage, including staff who hold budgets by virtue of their office, such as Executive Deans and Heads of Departments/Sections as well as individuals to whom specific budgets have been allocated.

Version Number	Date issued	Summary changes
2020 – 1	01/11/2020	Amendment of financial threshold for when CPU must be contacted. Minor amendments to grammar and wording to give better understanding of requirements.

1. Procurement - General

- 1.1 Procurement regulations apply to all non-payroll expenditure from University funds, regardless of the source of funding.
- 1.2 Advice and support on procurement issues should be obtained from the Central Procurement Unit (CPU) at the earliest opportunity, as their knowledge and expertise can save you a lot of time and effort; as well as ensuring you are following the correct procedure and thus not delaying any purchase or project.
- 1.3 Financial Procedure Note 26 (FPN 26) gives guidance on Capital Expenditure and Fixed Assets – this document is currently under development.
- 1.4 When procuring supplies for the University staff must:
 - use value for money as the main consideration in purchasing decisions rather than price, choosing supplies of an appropriate quality for the way in which they will be used. ‘Value for money’ is determined as an approach regarding each purchase decision, rather than price as the only major consideration prior to placing an official order;
 - calculate the total cost of ownership over the life of the contract;
 - consider the impact on the carbon footprint within the tender documentation and during the assessment process (the Sustainability Manager in the Estates Section can help you with this). This is particularly important now the University has declared a Climate Change Emergency;
 - uphold the University’s regulations on standards of behaviour and conflicts of interest and abide by the requirements of the 2010 Bribery Act;
 - abide with the requirements of the UK tendering legislation and Public Contracts Regulations, where applicable;
 - consider the level of risk involved in the project – e.g. TUPE implications, sensitive data; and
 - meet the University’s obligations and ensure against discrimination on the grounds of any protected characteristic under equalities legislation specified in the University Equality and Diversity Policy Statement. (Protected characteristics are - age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; gender and sexual orientation)
- 1.5 Staff must obtain competitive quotes or tenders, where the value of the supplies, services or works they are procuring meets or exceeds the threshold limits set out in in section 7.
- 1.6 Where there are a number of regular contracts, they should be aggregated in order to maximise the purchasing power of the University.
- 1.7 It is not permissible to avoid the tendering procedure by splitting an order into multiple orders of a lower value.
- 1.8 The University reserves the right not to accept any tender or quotation, including the lowest bid, providing value for money is the main justification for the chosen supplier.

2. Approved Suppliers

- 2.1 Only University approved suppliers should be used. Please note if the supplier is on UNIT 4 this doesn’t automatically mean they are an approved supplier, please contact CPU for further information. The CPU will maintain a list of approved suppliers and offer advice on obtaining approval for additional suppliers. Suppliers which are invited to tender should be approved technically, financially and regarding Health and Safety. It is essential that all suppliers which undertake works in connection with the fabric of buildings/campuses are approved by the Estates Management Section.

3. Purchasing Funded by Research Grants and Contracts

- 3.1 Expenditure funded by research grants and contracts must comply with these purchasing regulations. Quotations may be obtained prior to submission of grant proposals. Research budget holders should be aware that research funding bodies may also attach additional conditions to the procurement of items that they are funding. It is the research budget holder's responsibility to make themselves aware of these conditions and ensure compliance with them.

4. Rental Agreements/Service Contracts

- 4.1 When procuring supplies under rental agreements or service contracts, the contract period should be used to calculate the projected cost in order to determine the relevant threshold. If the contract period is not known, the potential contract value should be based upon the estimated cost over a four-year period; or advice should be sought from the CPU.
- 4.2 When hiring goods, it is important to also obtain an outright purchase price for new and/or refurbished unit, to compare the ratio of hire costs against the outright purchase, or realise at what point it is cost effective to make the decision to cancel the hire agreement in favour of a purchase. In some instances, it may be possible to arrange a lease to buy option.
- 4.3 The CPU must be contacted for any further information required, or where the value reaches a tender level as shown in section 7; they may also be aware of pre-existing contracts that could be used instead of entering into a new rental/service agreement.

5. Pre-Contract Work, Prototypes and Pilot Schemes

- 5.1 Development works which are undertaken with a potential supplier in advance of an order, must be notified to the CPU before they start. This is to ensure that:
- the supplier has the appropriate skills/ability;
 - the supplier is approved or completes any wider assessment process for suitability;
 - other current and approved suppliers are also considered; and
 - an agreement is communicated that the final outcome will be subject to a competitive quote or tender process in accordance with the University's Regulations and therefore, no obligation is offered to purchase the final design. (In this instance the development work may incur predetermined costs for any intellectual property rights/copyright should the company not win the quote/bidding process).

6. Central Stock Service (Stores)

- 6.1 The University provides a stock service for maintenance products (including critical spares), as well as a variety of other items that can be purchased by Departments/Schools/Sections (such as furniture and office supplies). Where products are available from stock, they should be requisitioned in accordance with the pre-printed requisition (Form No. EO 47b) and the stock catalogue (found on the Central Stores website).

7. Threshold Limits for Obtaining Quotes/Tendering for Goods, Services and Works

- 7.1 It is proper that you consider the risks posed to the University when making a procurement, and you should not use value alone when determining the risk it may pose to the University. For example, the outsourcing of a business function may reduce operational costs, but the release or transfer of staff raises many implications for the University (such as redundancy pay or TUPE obligations); and so possibly making the proposal a high risk venture for the University even though the value of the contract is potentially low. If you are in any doubt as to the nature or level of risk posed by the procurement, you must consult CPU colleagues.

All staff must consider health and safety implications when planning the purchase of equipment, substances or services irrespective of value. If further assistance is required regarding Health and Safety, this is available from the [Health and Safety Advisory Service](#).

7.2 When procuring goods, services or works for the University, staff must follow the approach indicated by the threshold limits below, please note for requirements above **£15,000** the approach will be agreed by the relevant CPU representative, based on value and risk, exceptions to these requirements are set out in section 9:

Value	Approach
£0 - £3,000	Prices should be obtained by referring to the Supplier's Price list, by hardcopy or online catalogue, or by telephone.
> £3,000 - £15,000	Three written quotations. In the event that quotes cannot be obtained by more than one supplier – the Head of Department/School/Section is required to approve the order.
> £15,000 - £100,000	Guidance must be sought from CPU. A request for quotation process performed by CPU in conjunction with the key stakeholder. A minimum of three suppliers must be asked to provide a response.
> £100,000 – UK Procurement threshold	Guidance must be sought from CPU. A competitive tendering process performed by CPU in conjunction with the key stakeholder will be the default route to market. This will be a single stage tender process.
Over UK Procurement threshold	Guidance must be sought from CPU. A competitive tendering process performed by CPU in conjunction with the key stakeholder will be the default route to market. The process will usually involve a two-stage process which will include a pre-qualification stage and a subsequent tender stage. The opportunity will be advertised to the whole market.

*UK Threshold for Goods and Services is £189,330

*UK Threshold for Works is £4,733,252

7.3 Some degree of advertising, which is appropriate to the scale of the contract, is likely to be necessary to demonstrate transparency. This is consistent with the UK objective of achieving value for money in all public procurement. The Public Contracts Regulations 2015 provide further requirements in relation to Advertising, such as the use of Contracts Finder and the Find a Tender portal to publish opportunities. The University of Essex must advertise all opportunities on Contracts Finder and the Find a Tender portal where contracts exceed the UK thresholds in value. This applies to all contracts (works, supplies, services, light touch regime, framework agreements and dynamic purchasing systems) which are regulated by the 2015 Regulations and meet the relevant thresholds. The University of Essex cannot include information on Contracts Finder which is not included in the Find a Tender contract notice. Contracts Finder should also be used to publish the outcome of all contract awards valued over **£25,000**.

7.4 **The above values exclude VAT. It should also be noted that the University has a very limited ability to recover VAT, and in most cases, it will represent a cost to the budget holder that cannot be recovered.**

7.5 Further quotations/tenders may be obtained in addition to the minimum number highlighted above.

8. Procurement Procedures – Calling off an existing Framework Agreement

8.1 Before calling off a framework agreement for any value please contact CPU. The Southern Universities Purchasing Consortium (SUPC) arranges on behalf of the HE Sector and the University, framework contracts or preferential terms for the supply of particular items or services (e.g. stationery, travel and maintenance). CPU also has access to other purchasing frameworks. Any such contract or arrangements will be publicised by the CPU on their website. When procuring goods and services covered by these arrangements, staff should follow the guidance offered by the CPU.

9. Exceptions to Procurement Procedures – Waivers

- 9.1 In exceptional circumstances, a single source of supply may be appropriate to meet a particular specification. For example, when goods/services are only offered by one supplier (so more than one quote cannot be obtained); or for continuity reasons (such as the duplication of scientific tests using specific equipment) the department may wish to use a single supplier.
- 9.2 If staff responsible for procurement wish to use a single supplier where the value is over £15k, they must complete in full the “Waiver Request Form” document and submit it to the CPU for consideration.
- 9.3 Requests for single source supply, which in the opinion of the Head of Procurement do not meet all relevant criteria for such a requirement, will be rejected.
- 9.4 Where the value is less than £15k but above the threshold limit for multiple quotes, a waiver request form should be completed and approved by the relevant Head of Department/School/Section (for non-grant funded costs) or the Principal Investigator (for grant funded costs). The Head of Procurement does not need to approve these requests. The waiver request form must be kept by the relevant department/school/section and may be subject to a future audit inspection.

10. Additional requirements for IT Systems

- 10.1 With any procurement of IT Software Systems, it is necessary to agree and have signed-off by the Director of Innovation and Technology Solutions - ITS (or one of the ITS Assistant Directors in their absence), an appropriate statement of the system requirements. “IT Software Systems” in this context includes locally installed desktop or server systems, remotely hosted and cloud (Software as a Service – SaaS) systems. This is so the ITS Section can:
- ensure that its cybersecurity obligations are met; thus, safeguarding the vast amount of sensitive data held by the University.
 - better manage spend in this area;
 - ensure that the items are best suited to the University’s needs, and
 - ensure items do not conflict with or duplicate existing arrangement or functionality.
- 10.2 When a Department/School/Section initially identifies the need for a piece of equipment or software, they **must** contact the ITS Purchasing Manager, to discuss the best solution for the University and to identify the most suitable way to obtain them.
- 10.3 Once the ITS Purchasing Manager has consulted colleagues; they will inform the Department/School/Section on how to proceed. It may be that ITS will order the equipment or software directly from a supplier, or it may permit the Department/School/Section to raise a Purchase Order itself.
- 10.4 It may be that due to the value, size and or complexity of the requirements, that the Central Procurement Unit (CPU) will need to conduct a formal procurement exercise to source the required items working with ITS and the end user.
- 10.5 The length and level of detail required for the statement of requirements will vary considerably, depending on the size and complexity of the system; and must also take into account commercial factors like the estimated value of the procurement to the supplier. It is therefore the responsibility of ITS to ensure, so far as is possible, that the requirements are as concise and focused as possible and yet cover all the essential requirements for the procurement to achieve its stated objectives.
- 10.6 Where a set of clearly defined requirements can be readily developed, IT Services will assist project proposers in identifying mandatory “must have” requirements, other important but not essential requirements and areas where suppliers need to provide detailed information about exactly how they would meet the requirements. However requirements specifications typically focus on system outputs – the “what” rather than the “how” so IT Services will also provide assistance with the development of a structured demonstration “script” that can be provided to

potential suppliers which will facilitate a fair and objective comparison between potential suppliers demonstrations of their products

10.7 In situations where the required system provides services or functionality which are entirely new to the users or the proposer and where therefore it may be difficult for them at the outset to articulate their specific requirements an “Agile Procurement” approach may be required. ITS will assist proposers to define a set of broad objectives, deliverables (including the measures by which these will be evaluated), cost thresholds and implementation milestones to an appropriate level of precision. This will often (but not always) be based on the delivery of a pilot or proof of concept system.

10.8 All IT related Purchase Orders **must** be raised against a ‘5 series’ account code, so that the University can ensure that IT related purchase are correctly accounted for and routed to the correct approver in Unit4.

11. Competitive Written Quotations

11.1 The process for obtaining competitive written quotations should be implemented in accordance with the applicable thresholds. Procedures are as follows:

- the University’s standard terms and conditions, available from the CPU, must be used as the basis for the quotation for all goods and standard services. For professional services, e.g. consultants, IT systems, architects etc. the terms and conditions will have to be referred to the CPU;
- any special terms and conditions of the potential contract must be referred to in the document;
- copies of all quotations received must be scanned in (attached to) the purchase order in Unit 4 as must a copy of any approved waiver request.; Where the lowest quotation is not accepted the budget holder must retain a written record of the reasons for this for future audit examination;
- the successful supplier has their offer formally accepted by an official purchase order; and
- unsuccessful suppliers are informed of the reasons for non-acceptance of their bids.

12. Tender Procedure

12.1 It is essential that all communications with bidders be handled by CPU through formal channels, to ensure transparency and fairness for all. Failure to adhere to this requirement could open the University to allegations of improper practices and legal proceedings for financial redress. CPU will manage communications via an electronic tendering portal.

12.2 Tenders must be performed by CPU in conjunction with the key stakeholder or their nominee:

- tenders must be undertaken in conjunction with the CPU. Frameworks may be set up where it is considered that they provide operational benefit. They should be established by the CPU and the key stakeholder or their nominee;
- the standard tender documentation available from the CPU must be used, except for instances where professional teams for building works are appointed. In which instance the University’s standard forms will be utilised for the appointment of such professional service team;
- the tender documentation returned by a supplier should indicate if additional information is attached along with the core document;
- the contract awarding panel should evaluate the bids in accordance with the contract award criteria and the weightings detailed in each tender;
- a financial appraisal will be undertaken to establish financial stability;
- all tenderers must be advised of the outcome of the tendering process. CPU will offer guidance in respect of requirements; and
- the University will not be obliged to accept any tender, including the lowest price.

13. Tender Procedure (Services)

13.1 In addition to the above, the following requirements are applicable to tenders for services:

- the period and objectives of the service must be clearly stated;
- all aspects of the potential contract must be fully specified and include all labour, materials, plant or other that is necessary for the service;
- a definition should be given of the service, items, site, etc. and the manner in which and expected standards to which the service should be carried out, including time factors relevant to the service; and
- no service contract should be awarded without pre-determination and agreement of a relevant Service Level Agreement (SLA).

14. Tender Procedure (Building Contracts and Other Construction Works)

14.1 In addition to the tender procedure for goods and services the following requirements are applicable to tenders for Building Contracts and other construction works:

- tender documentation for the project must be drawn up by the Estate Management Section or by an external professional consultant on the advice of the Director of Estate Management. Every care must be taken at the design stage and in the preparation of drawings, specifications and bills of quantities to avoid the likelihood of alterations, variations and consequent additional expense being incurred. If design fees are not included in the tender documentation for a potential contract, they should be subject to a separate tendering exercise under 'Services';
- the Form of Building Contract to be used for a project shall normally be determined by the Director of Estate Management. For projects for which a Building Project Steering Group has been appointed that Group shall recommend the contract form to Council/Resources Committee on the advice of the Director of Estate Management and any relevant professional adviser on that project;
- in the case of tenders received for projects for which a Building Project Steering Group has been appointed, details of the tenders submitted will be reported to the relevant University Committee (University Steering Group, Resources Committee or Council), together with a recommendation from the Building Project Steering Group or from the Chairperson acting on its behalf, on action to be taken by them;
- on receipt of approval from the relevant Committee (e.g. University Steering Group, Strategy and Resources Committee) for a tender to be accepted, the Head of Procurement will normally notify the successful tenderer, or instruct the Project Architect or Consultant concerned to notify the successful tenderer and draw up formal contract documents for signing as appropriate;
- authorised personnel will issue a Purchase Requisition/Official Order to the successful tenderer; and
- external publicity related to proposed projects must be approved by the Director of Estate Management or a nominated deputy.

15. Completion of Building Contracts and Other Construction Works

15.1 The following will apply for building contracts and other construction works:

- a set of the contract documents will be held by the Contractor. A second set, or a copy, will be held by the Director of Estate Management. A third set, or a copy, will be held by the Director of Finance;
- the expenditure of any contingency sum on a contract shall be at the discretion of the University's Project Officer. On projects for which a Building Project Steering Group has been established this shall be the Director of Estate Management acting on the advice of the relevant professional adviser. This responsibility may be delegated to the Project Officer, day to day;
- payments on projects for which a Building Project Steering Group has been established shall be authorised by the Director of Estate Management (or the Deputy Director of the Estate Management Section (Capital and Development) supported by the Quantity Surveyor's Finance Section S Valuation Certificate. In all other cases authorisation for payment shall be by the Director of Estate Management or the Deputy Director of Estate Management (Capital and

Development) on advice from the relevant Project Officer that the declared value of work has been satisfactorily completed. The amount of any retention shall be identified in the contract documentation; and

- the handover procedures for building and construction projects shall be identified in the relevant contract documentation.

16. Procurement Committees

16.1 The University Procurement Strategy Group is responsible for:

- review procurement strategy and plans;
- promote value for money and good practice in respect of all procurement activity;
- provide direction and support to enable delivery of a responsive and effective procurement service;
- review reports of any working groups which may be set up from time to time regarding new systems, policies and procedures;
- meetings of UPSG to be held twice per year. Members of the group may request a further meeting, if they consider it necessary; and
- consider any procurement matters not specifically covered above, as deemed appropriate by the group.