



UNIVERSITY OF
CAMBRIDGE
Finance Division

The Financial Procedures Manual

Chapter 4

Procurement Procedures

Also available on-line at:
<http://www.admin.cam.ac.uk/offices/finance/procedures>

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1. Introduction

1.1 Background

Total non-pay expenditure exceeds £250m in the University, and more than £5bn in the whole of the Higher Education sector. Consequently, external bodies such as HEFCE, the Research Councils and the National Audit Office take a close interest in university purchasing. The resulting political pressures, together with increasing pressure on the University's finances, mean that there is more than ever a need for University staff to obtain the best value for money at the lowest administrative cost.

1.2 Purpose

The purpose of these procedures is to help staff achieve this goal. It covers the principles behind each of the stages in the purchasing cycle, from establishing the need to purchase, to the passing of invoices for payment. Readers should refer to the applicable training manual for their areas of responsibility (i.e. iProcurement, Accounts Payable) for instructions on how to use the University's accounting system. There are web links within these procedures to specimen documents for use at various stages of the cycle.

Advice on purchasing matters not detailed in this guide, may be obtained from the Procurement Services [ext. 32233](tel:32233) or Procurement.Services.enquiries@admin.cam.ac.uk

1.3 Financial Regulations

University employees and anyone who conducts University business¹ are bound by the **Financial Regulations**, which govern all of the University's financial business, irrespective of the source of funding. The ethical principles set out in **Regulation 2** (see further **Section 2**); the requirements about contract execution and commencement (**Regulations 6 and 8**) and competition requirements (**Regulation 18**) are particularly relevant to purchasing.

1.4 Departmental Purchasing Procedures

Heads of Department are responsible for ensuring that purchasing within their institutions is carried out in a professional manner. They should ensure that all staff are aware of these Procurement Procedures. These in conjunction with the University's Financial Regulations, provide a framework of best practice for use by the Departments, Faculties, Institutions, Libraries and Museums of the University.

In order to comply with Financial Regulations, Heads of Departments should establish the necessary levels of authority and segregation of duties, documenting details of:

- who has authority from the Head of Department for specific actions
- those persons authorised to commit funds;
- the financial limits of their authority;

¹ Financial Regulations schedule 2 definition of "Staff"

1.5 Purchasing Working Group

The Purchasing Working Group (PWG) is an advisory group which contributes to the formulation and dissemination of the University Purchasing Procedures and Strategy. Group Members are drawn from a cross-section of Departments and from central administration. Reporting principally to the Resource Management Committee, the aim of the Group is to identify and promote best practice in purchasing. A number of subsidiary commodity purchasing groups oversee the purchase of particular groups of goods and services.

1.6 EU Directives on Public Procurement

EU procurement regulations direct that certain tendering procedures should be followed by public bodies (including universities) making high value purchases greater than £172,514 (goods and services) and £4,322,012 (works). Although this University is currently not bound by these regulations, the Council is committed to following the required procedures in most cases. It may also be a requirement of funding bodies that the procedures will be followed. Only in exceptional circumstances can an exemption be given to set aside the procedures. See **Section 4** for more details.

1.7 Environmental Considerations

Environmental considerations are becoming increasingly important and it is University policy to “give preference, as far as practicable, to those products and services which cause least harm to the environment”. Advice may be obtained from the Environment & Energy Team who have produced a guide to the subject, outlined in **Section 6** and available on their website.

Environment and Energy Team – Green Procurement website
<http://www.environment.admin.cam.ac.uk/what-are-we-doing/green-procurement>

1.8 Other Legislative Considerations

Consideration must also be given to any legislative requirements such as the:

- Bribery Act 2010 (details covered under **Section 2** Code of Ethics)
- WEEE directives (further information on disposal is found under **Section 7.2**)
- Equalities Act 2010

1.8.1 Equality Act 2010

The Equality Act 2010 incorporates and supersedes the RRAA and DDA. Information on the University’s approach generally to Equality and Diversity can be found under <http://www.admin.cam.ac.uk/offices/hr/equality/>

How does it affect procurement?

The legislation imposes a statutory duty on the University to eliminate unlawful discrimination and promote equality of opportunity and good race relations across all functions including procurement.

The Act will impact on University purchasing activity in several key areas:

- the specification of requirements;
- the selection of (and continuing use of existing) suppliers; and
- the performance of their contracts.

Although it affects all contracts its impact is most keenly felt if a supplier will be in **face-to-face or verbal contact** with the University's staff, customers (students) or members of the public in the vicinity of University sites.

Where this occurs the products and services delivered are defined as **highly relevant**. In these circumstances the conduct of such suppliers' staff is relevant so far as the University's responsibility under the Act is concerned. If you are unsure if a product or service is highly relevant contact a member of Procurement Services.

Your role as the purchaser

The purchaser must make appropriate arrangements to ensure that the supplier has:

- a) the capability;
- b) has introduced policies, documentation and training to ensure that their staff are aware of their obligations under the Act; and
- c) does nothing that breaches the Act in any way.

All invitations to tender and quotations for highly relevant products and services must contain the University terms and conditions. Incorporated into these terms are the relevant Equality clauses.

The recommended process to assess the supplier for these criteria is to use the supplier evaluation questionnaire.

The importance of the legislation must not be underestimated. The potential liabilities for breaching the Legislation (including unlimited fines with potential personal liability in some cases) and the increased possibility of receiving a challenge, are such that everyone involved in purchasing will need to show that they have applied due regard to their obligations under the Act and have taken steps to embed it into their departmental procedures and processes. Finally the Equality Act is a legal obligation and therefore cannot be considered optional.

We advise that you contact a member of Procurement Services before using the advice contained within these web pages and relevant guidance for the first time, particularly if you are contracting for a highly relevant product or service.

If you require any additional help or advice in complying with this legislation contact Procurement Services via email or on extension 32233

Full guidance is available on Procurement Services website at <http://www.admin.cam.ac.uk/offices/purchasing/guides/rraa/>

2. Code of Ethics

2.1 Compliance with Financial Regulations

Financial Regulation 2 gives guidance about the management of conflicts of interest and accepting business gifts and hospitality.

2.2 Confidentiality and Reliability of Information

There are three aspects:

- The **confidentiality** of University information received in the course of duty must be respected.
 - Information received from suppliers, in particular pricing and specification, should not be divulged to others suppliers. This would distort fair and equal competition and may breach confidentiality obligations (even if these are not written down). **Section 3.7** gives further guidance about obtaining bids.
 - Equally, information given in the course of duty must be true and fair and not designed to mislead.
-

2.3 Impartiality

Although, a close and co-operative relationship with a supplier is often mutually beneficial, a degree of impartiality and independence must be maintained. Any arrangement which might, in the long term, prevent fair competition or make it difficult to criticise poor performance must be avoided.

2.4 Bribery and Corruption

Staff must ensure that neither their conduct of University Business; nor the conduct of any person or organization entering into any contract or arrangement with the University contravenes the Bribery Act 2010 (see **Financial Regulation 20.**)

There are four key offences under the Bribery Act:

- Active Bribery (offering to bribe another);
- Passive Bribery (accepting or requesting a bribe);
- Bribery of a foreign public official; and
- Failing to prevent Bribery.

Staff must not use their authority or office for personal gain and must always seek to uphold and enhance the standing of the University.

The University's Bribery Policy
<http://www.admin.cam.ac.uk/offices/secretariat/bac/index.html>

2.4.1 Personal Interests

Staff must declare to their Head of Department any personal interest, which may affect any University Business and act in accordance with the instructions given as to management of any conflict.

2.4.2 Gifts and Hospitality

Staff must seek written permission from their Head of Department before accepting gifts or hospitality directly or indirectly from suppliers, other than low value items such as a gift worth less than £25 or hospitality worth less than £50. Receipt of gifts or hospitality must not influence or appear to influence the choice of supplier or prejudice the University's reputation. If in doubt, gifts and hospitality must be refused. Excessive or lavish gifts or hospitality may constitute Bribery.

Where Heads of Department have a conflict of interest or wish to accept gifts or hospitality (other than low value items) they must seek the advice of the body or person to whom they are responsible, for example Head of School, management board or General Board, and act as advised.

3. The Purchasing Cycle

3.1 Purchasing Decisions

A variety of factors need to be considered when purchasing goods and services. **Appendix A** offers a brief guide through the decisions that will have to be made during the purchasing process.

3.2 CUFS

The University's accounting system (CUFS) will produce much of the paperwork required during the purchasing cycle, but will not in itself ensure that best value is achieved or that all relevant contract documentation is issued.

iProcurement is a CUFS module. It hosts the CUFS Marketplace; which makes available electronically a number of the Framework Contracts (see **Section 3.5.1**). A 'catalogue item request' selects from suppliers on the Marketplace, who provide the same or similar items. It thereby satisfies competition requirements.

Further details can be found at:
<http://www.admin.cam.ac.uk/offices/purchasing/iprocurement/>

Additionally, it is possible within iProcurement to procure items from any supplier on the CUFS supplier database. This process is called a 'non catalogue request' and selection is not from the Marketplace. In this case staff must seek further quotations in line with the Financial Regulations.

3.3 External Purchasing

Goods and services should be purchased externally only if:

- they are required for the achievement of financial, academic or organisational plans;
 - they are not already reasonably available elsewhere within the University (see **Section 3.4**); and
 - sufficient funding exists.¹
-

3.4 Identifying Requirements

3.4.1 General

Various decisions have to be taken before any purchasing process can begin. The first stage of the procurement cycle is identifying the requirement i.e.

- What do we need?
- What is the best way to get it?

¹ Financial Regulation 18.6

- Does a framework agreement or other contractual arrangement already exist?
- Is the item available under the University's equipment sharing initiative?
- How much will it cost and is there budget approval for it?
- When do we need it?
- Is a business case required?
- Is there second hand/surplus equipment available which meets our needs?

For more information on equipment sharing please visit
<http://www.admin.cam.ac.uk/offices/research/equipment>

For more information on buying second hand equipment please visit
http://www.admin.cam.ac.uk/offices/purchasing/guides/second_hand_equipment.pdf

Typically, requirements will be identified by end users who should liaise with procurement staff to ensure the best value for money solution is identified.

When drawing up a requirement all aspects must be examined and consideration given to short, medium and long term needs as well as the possible impact of aggregation on the contract value.

For competitive tendering to be effective the following should be considered:

- there should be sufficient suppliers in the market to provide competition;
- the value or nature of the specific purchase should be sufficient to justify the expense of the tender exercise, to both the purchaser and the potential supplier;
- enough time should be allowed for all stages of the process.

Staff should refer to the thresholds table (3.6 below) for information on which procedure to follow.

3.4.2 Specification

All competition must be based on a specification drafted after consultation with anticipated users and assessment of the risks associated with the procurement¹.

Begin by getting a broad understanding or outline specification that clearly defines the end user's need. All available options for meeting the requirement should be considered. Ask:

- a) Can the requirement be satisfied either fully or partially from existing arrangements/resources within the University?
- b) Are there alternatives to outright purchase (e.g. rental agreements)?
- c) What are the risks associated with the purchase? What are the key business requirements? Have they been expressed clearly? How might the purchase go wrong?
- d) How can the environmental impact be addressed? (reduce/re-use/recycle).

¹ Financial Regulation 18.5

Information on drafting specifications for purchasing (like items identified below) together with a general guide about how to draft specifications can be found under <http://www.admin.cam.ac.uk/offices/purchasing/guides>

- Capital equipment
- Furniture
- IT equipment
- Fax equipment
- Shredders
- Safes

3.5 Framework Contracts

3.5.1 Departments should make use of Framework Contracts approved by Procurement Services. These Framework Contracts have been set up with suppliers either by Procurement Services against criteria agreed with the University's commodity purchasing groups, by the wider community or external agencies, including the Southern Universities Purchasing Consortium (SUPC) and the Eastern Shires Purchasing Organisation (ESPO).

Framework Contracts benefit the University through:

- the aggregation of spend, which enables better pricing;
- the service being monitored through a dedicated Contract Manager;
- pre-agreed procedures and contract terms, which minimise duplication of effort and resource time (see further **Section 3.8**).

Many of these agreements are available on the CUFS Marketplace (see **Section 3.2.2**), such that there is no need to seek any other quotations for catalogue items below £25,000. For all other Framework Contracts the procedures recommended by Procurement Services for that contract need to be followed.

3.5.2 Procurement Services holds details of approved Framework Contracts set up by Procurement Services, other agencies and by the University's commodity purchasing groups.

See Procurement Services web site at
<http://www.admin.cam.ac.uk/offices/purchasing/suppliers/>

University specialists will also be pleased to advise on the best deals for the following product groups:

Catering	University Centre, Procurement Services	37767 60552
Cleaning	Procurement Services	60552
Electrical	Procurement Services	60552
AV equipment	Central Sites Technical Services (EM) Procurement Services	34395 60518

Computing	Computing Service	34720
	Procurement Services	60518
Laboratory/Workshop	Procurement Services	64328
Telecoms	Telecoms Office	37722
	Procurement Services	60518
Photocopiers	Procurement Services	60513

3.6 Requirement for Competitive Bids

3.6.1 **Financial Regulation 18** sets out the rules for competition (including exemptions) and circumstances when further advice or Director of Finance consent is needed. Regulation 18 also addresses how offers are to be invited and dealt with. The table below sets out the required purchasing procedures for different levels of spend.

Total Value (before VAT)	Procedure for inviting offers		
	Framework Contracts	Marketplace	Other purchases
< £1,000	follow procedures recommended by Procurement Services for the contract	Only the price from the marketplace is required	Written price confirmation
£1,000–£25,000			Three Written Quotes
> £25,000–£50,000		Three Written Quotes or three Written Proposals, depending on complexity, risk, and value of the purchase	
> £50,000		Three Tender Submissions	
> £100,000	Procurement services must be consulted/involved and agree the most appropriate procurement method		
EU Thresholds (updated biennially) as at January 2014 > £172,514 (goods and services) > £4,322,012 (works)	EU Tenders managed through Procurement Services		

The expectation is that, where the required goods are available, purchases up to £25,000 will be made via the Marketplace or under a Framework Contract. Other offers should not be sought, unless better value can be achieved elsewhere, in which case Procurement Services must be notified so that any price discrepancies and inclusion.

3.6.2. Definitions

Total Value¹ is the contract value or estimated value as follows.

- (a) For a fixed period contract it is the total price to be paid or which might be paid during the whole of the period.
- (b) For recurrent transactions for the same type of item it is the aggregated value of those transactions in the coming 12 months.
- (c) Where the duration is uncertain it is the monthly payment x 48.
- (d) For feasibility studies it is the value of the follow-on scheme.
- (e) Aggregated value of separate contracts meeting a single requirement.

Competitive Quotes	Quotations in writing, including fax or email.
Competitive Proposals	Written bids submitted by a specified date
Framework Contract	Any framework contract approved by Procurement Services (see Section 3.5).

3.6.3 Dispensation from competition

Competition procedures are applicable unless a dispensation has been granted in accordance with [Regulation 18.3](#).

This will only be granted when justified reasons are given and approval from Director of Finance has been granted, in consultation with the Head of Procurement (prior to any commitment to purchase is made)². This request should be sent to the Head of Purchasing for verification of the request and approval to be granted.

An exemption form can be downloaded for completion from:
<http://www.admin.cam.ac.uk/cam-only/offices/purchasing/forms/#dispensation>

Non-exhaustive examples of when a dispensation might be appropriate include:

- Sole source supply necessary in the following circumstances:
 - Technical compatibility, e.g. upgrade to an existing solution or purchase of additional goods which must be compatible with existing goods
 - Protection of technical rights
- Single provider (membership of a professional institute/proprietary training)
- Purchase of or repairs to goods or materials, including machinery or plant, available only as proprietary or patented articles.
- The work to be executed or the goods/services to be supplied constitute an extension of an existing contract where a change of supplier would cause:

¹ In considering these values it is important to remember that it is the aggregate value of a contract which is considered, e.g. the appropriate value for a five year £20,000 contract is £100,000, not the annual £20,000 cost. For definition, see Financial Regulations Schedule 2.

² Financial Regulation 18.3

- Disproportionate technical difficulties
- Diseconomies, or
- Significant disruption

3.7 Obtaining Competitive Bids

- 3.7.1 An outline of each procedure identified in the threshold table in **Section 3.6.1** is detailed below and template documentation is available for each.

The relevant documentation should be sent to suppliers, allowing them a reasonable time to respond. Further guidance and advice on all the procedures and on receiving, opening and recording quotations and tenders is available on Procurement Services website or by contacting them direct. In summary the procedures are as detailed below.

**Please refer to Procurement Services website for current downloadable versions:
<http://www.admin.cam.ac.uk/cam-only/offices/purchasing/forms/>**

When applying the threshold procedure, first priority should be seeking prices from the Preferred suppliers framework agreements and/or the marketplace as per the thresholds table above, on then when/if your requirement cannot be met, then you go to the “other purchases” instructions.

3.7.2 Written price confirmation

Prices can be obtained over the telephone or web for goods or services, which are easily specified against the University’s standard terms and conditions but you, must obtain written confirmation of the price given by the supplier. This method is appropriate for very simple purchases of low value.

3.7.3 Request for competitive quotations

Competitive quotations involve seeking a bona fide written price (including via fax and email) and delivery time for goods or services, which are easily specified against the University’s standard terms and conditions. The bids are not sealed. This method is appropriate for technically simple purchases of low to medium value (see table at 3.6.1). At least three suppliers are asked to quote in writing. They should be provided with a short and simple functional specification or description, together with quantities and delivery requirements.

3.7.4 Request for competitive proposals

Competitive proposals involve seeking bona fide written proposals for goods or services, which are easily specified against the University’s standard terms and conditions, although in some cases, special terms and conditions may be more appropriate. Suppliers submit bids in sealed envelopes, all bids are then opened together to ensure transparency.

The process is similar to that of the invitation to tender, but the documentation is shorter and simpler. This method is appropriate for purchases of medium value (see table at 3.6.1) and where a more detailed specification is required. At least three suppliers are asked to submit a proposal in writing. They should be provided with a functional specification or description, together with quantities and delivery requirements.

3.7.5 Invitation to tender (ITT)

Competitive tendering is a formal bidding procedure for all large projects: intended to ensure that all of the costs of a proposed purchase are considered and that the selection of suppliers is seen to be impartial. **They are all sealed bids.**

IT Tenders and those with high value or complex specifications, may require special terms and conditions which replace the University's Standard Terms.

Higher-value (>£50,000), complex, or long-term contracts, including those below EU regulations must also be put out to competitive tender.

The stages of the tender process are as follows.



1	Develop a purchasing timetable to ensure there is adequate time to carry out the tendering exercise. In complex cases project management skills may be needed to ensure the procurement phase is completed in an organised, timely fashion.
2	Ensure that all resources and funding have been identified and agreed.
3	Prepare a tender specification. It is important that this should be functional, that is, describing the item in terms of its intended function and the required level of performance, rather than simply a generic description or brand name. A well-drafted specification will set the quality and performance standards for the resulting contract, and will provide the greatest scope for maximising value for money. See under http://www.admin.cam.ac.uk/offices/purchasing/guides
4	An appropriate number of suppliers (at least three) should be then selected, in line with Financial Regulations and where applicable, any EU procurement procedures.
5	Returned tenders Should be evaluated in accordance with the award criteria published in the Invitation to Tender.
6	Post-tender negotiation May take place, provided that this is seen to be fair and equitable. Where an EU procedure applies, negotiation may only take place if allowed for in that procedure.
7	The final decision Should be clearly documented and the appropriate contract documentation concluded.

3.7.6 Confidentiality of Information

The normal principles are that:

- During the competition process bidder information is kept confidential and one bidder's offer, in particular pricing information, must not be disclosed to another bidder. Disclosing pricing information is not good purchasing practice. It undermines the University's reputation for fair dealing and will deter bidders from dealing with the University in the future.
- In complex processes where the specification is developed during the process it may be appropriate to share ideas but this must be done in an agreed and controlled manner. Ensure that the University does not take design responsibility unintentionally (removing it from the supplier's shoulders). If the University is to disclose or contribute to the development of intellectual property, consider whether ownership should be retained in some way or whether later use/re-use by the University has been protected sufficiently. In either case seek advice and put appropriate agreements in place.
- After the competition process is completed (normally after 12 months) all information may end up in the public domain through a freedom of information request made by a member of the public. This is of course subject to the need to keep restricted any truly confidential information and information where the commercial interests of the bidder outweigh the public interest in disclosure.

Third party confidentiality obligations

Therefore, consider the impact of confidentiality obligations which a third party seeks to impose in respect of information provided to you.

- (i) Consider the duties on the University under Freedom of Information Act 2000. Do not accept that all information provided to you by a supplier should be regarded as confidential. Information received will be subject to disclosure under the Act. The model form of 'Invitation to Tender' addresses obligations under the Act and requires bidders to say what information in their bid is confidential and should not be disclosed.

Staff should follow the specific route in relation to any request under the Freedom of Information Act and contact Procurement Services for advice and assistance

- (ii) In addition consider how the competition process is to be designed (and any special rules laid down) to ensure that confidentiality of information is handled appropriately:
 - What kind of information should fairly be agreed to be treated as confidential?
 - What information might you wish to share with third parties?

Make sure the documentation inviting bids sets out any necessary rules about sharing and/or confidentiality of bidder information.

University Guidance on FOI can be found under:
www.admin.cam.ac.uk/univ/information/foi

Note on capital equipment purchases

Such purchases often require detailed financial and contractual assessment. The National Audit Office has issued valuable checklists, which have been circulated among Departments; further copies may be obtained from Purchasing Services. A Guide to purchasing capital equipment may be found on the Purchasing Services web site at:

<http://www.admin.cam.ac.uk/offices/purchasing/guides/>

3.8 Selecting Suppliers

- 3.8.1 There will often be advantages in using **Framework Contracts**. Suppliers will already have been assessed for quality, service, competitiveness and financial stability, and equitable conditions of contract may also have been agreed.
- 3.8.2 **All bids** for Framework or other contracts must be evaluated on commercial and technical grounds and should define award criteria appropriate to the purchase. The basic criterion is:
- "lowest price"; or
 - "most economically advantageous" offer (where considerations other than price also apply).

If the last criterion is adopted, it must be further defined by reference to further criteria. These criteria should refer only to relevant considerations. These may include price, service, quality of goods, running costs, technical merit, previous experience, delivery date, cost effectiveness, quality, relevant environmental considerations, aesthetic and functional characteristics (including security and control features), safety, after-sales services, technical assistance and any other relevant matters.

For simple purchases the lowest bid may be the criterion. Normally though, the supplier selected which offers the best value for money in meeting the tender requirements. Best value should be determined by reference to Whole Life Costing, in other words, taking into account all direct and indirect costs of ownership, such as:

- pre-purchase costs, including research and evaluation
- purchase costs, including installation and training
- cost/impact on the University's infrastructure
- order processing costs
- stockholding
- running costs, including maintenance, power and training
- health and safety requirements and
- disposal costs and/or residual value.

The model Competitive Proposal and Invitation to Tender suggest some award criteria. Do not adopt these without thought. Choose criteria which meet the particular purchasing need and will lead to selection of the most competitive offer meeting the actual business objectives. The model documentation also suggests weightings. These can help give suppliers a better idea of the business objectives (for example the relative importance of price and quality – but be careful not to

weight quality in such a way that a more expensive offering is accepted than is necessary). Note especially that criteria and weightings published in invitations must be followed. Award criteria, any sub-criteria which will be used and also weightings must be included in EU Invitations to Tender.

- 3.8.3 **Stockholding costs**, covering finance, damage, deterioration, theft or obsolescence, may add to the purchase cost as much as **25 - 40%**. Smaller and more frequent deliveries are often more cost-effective than bulk ordering, even allowing for price discounts, but it is worth noting that many consortia agreements are at fixed prices, irrespective of delivery quantity.
- 3.8.4 **Processing costs** are also significant, having been estimated at **£70** for a complete purchase cycle. It often makes sense to consolidate requirements and place one order with one supplier for a range of products and for multiple deliveries.
- 3.8.5 **Unsuccessful bidders** should be notified and thanked for their participation, and where applicable advised that they will be considered for future tenders.

Template letters are available at
<http://www.admin.cam.ac.uk/cam-only/offices/purchasing/forms/>

Please refer to **Section 4.4.4** for the process for awarding EU contracts.

3.9 Processing the Order

- 3.9.1 Where orders are first placed by phone and then confirmed in writing, the order form should be marked 'Confirmation Order' to avoid duplication.

3.9.2 Conditions of Purchase

Whether written or not, purchase orders are legally binding and care should be taken to ensure that they are normally placed on the University's **Standard Conditions of Purchase**.

These should be used unless other terms have been agreed in writing. More specific University model conditions of contract may be appropriate for some purchases. Advice should be sought from the relevant University specialist (see **Section 3.5.2**) or Procurement Services team who will liaise with the Legal Services Office where necessary. Where suppliers' terms are used, advice should be sought from Procurement Services.

Lease or hire purchase contracts merit particular attention and further advice should be sought in line with Financial Regulations. Less reputable suppliers may attempt to hide the full costs or may leave scope to inflate prices unreasonably. It is generally safer to purchase and to deal direct with manufacturers or with nominated sole agents, who in any case tend to offer the better deals. If you are approached by a supplier to consider a lease option, irrespective of the Total Value, you must contact Procurement Services as a cost benefit analysis should be undertaken so that the best procurement approach can be advised.

- 3.9.3 The University's Standard Terms are referred to on the face of the CUFS order form. Full-sized and reduced versions of the terms are available on disk, via email from Procurement Services and also via their website.

The University's Standard Conditions of Purchase are available from
<http://www.admin.cam.ac.uk/cam-only/offices/purchasing/forms/#standard>

3.9.4 Advance Payments

Payment should only be made on satisfactory receipt of the goods or service as prepayments are strongly discouraged. Procurement Services can offer advice and assistance in negotiating out any requests for pre-payments. Where they are unavoidable, it is important to ensure the right cover is in place to reduce any financial risk to the University and that authorisation is sought prior to any commitment being placed (Financial Regulations 18.4). Cash sent with an order may be lost if the supplier ceases trading or fails to honour the contract for some other reason. If advance payment is unavoidable the supplier should be required to produce a banker's guarantee (performance bond). Advice from Procurement Services should be sought in these instances.

3.9.5 Coding in CUFS

All orders and invoices should be coded to the appropriate commodity code, and if possible an accurate item code. The CUFS system offers helpful pull-down lists, which may be searched by item description.

3.9.6 VAT

The University pays VAT in the same way as any other business on supplies of goods and services. Most businesses are able to reclaim VAT incurred on purchases. However, where a purchase is used in the course of making a VAT exempt supply or for a non-business activity, no VAT reclaim is available. As most of the University's income is either VAT exempt or non-business activity, there will be no VAT reclaim available on most of the University's transactions. VAT reclaims are available for expenditure on commercial research grants and for purchases used for VAT able trading activities.

There are some exemptions and reliefs which can apply to some of the University's transactions, because of its charitable status and given that some items are zero-rated or exempt in their own right.

These are detailed in the Finance Division's VAT & Other Taxes procedures
<http://www.admin.cam.ac.uk/cam-only/offices/finance/procedures/vat/eight/>

3.9.7 Late Payment

Businesses may now claim interest from large businesses such as the University for late-payment of invoices.

For more details see http://www.payontime.co.uk/legislation/legislation_main.html

If payment is made after the last day of the agreed credit period (as set out in the University's Standard Terms) the supplier may claim interest. Such claims could prove very expensive, so it will be even more important to follow University policy and pay promptly. The following precautions are suggested:

- Unless extended credit terms are negotiated, the University's standard payment terms (as stated in the Standard Terms) should be agreed in advance wherever possible.

- Invoices should be marked with the date of receipt together with any query on the goods or services provided. If an invoice is held for query the supplier should be notified immediately in writing.
- Invoice addresses should be stated clearly on purchase orders; if an invoice is received late as a result of being wrongly addressed, the supplier should again be notified immediately in writing.

3.9.8 Disaggregation of duties

The Financial Regulations state that wherever possible, invoices should be approved for payment by someone other than the signatory/authoriser of the corresponding purchase order. Ideally, receipt should also be confirmed independently, by means of a signed copy of the purchase order or goods received note, and it is in the interest of staff to try to arrange this. However, it is recognised that in some smaller institutions this segregation of duties is not feasible, in which case it is the responsibility of Heads of Departments to ensure that regular independent checks are instituted.

3.9.9 Retention of records

Internal Audit requires that documents such as purchase orders, goods received notes and relevant quotations be kept for a minimum of three years beyond the completion of the order or contract. Where an order is placed through CUFS, the electronic record suffices.

4. The EU Directives on Public Procurement

4.1 General

The purpose of the EU Directives is to encourage competitive tendering for public contracts throughout the European Union. Although the University is not legally subject to the regulations, the Council has directed that the good practice set out in the Directives should continue to be followed. Therefore EU procedures should be followed in order to maintain best purchasing practice and also to meet any funding body grant conditions. In exceptional circumstances **only**, authorisation not to follow the EU procedures may be granted in accordance with **Financial Regulations 18.3**.

A Consolidated Directive covers Supplies, Works and Services respectively; of these, the Supplies and Services provisions are most likely to apply to Departmental purchases.

The information in this section is a brief summary of the EU Procurement Directives.

4.2 Contracts Covered by the Directives

4.2.1 The threshold applies to the aggregate value of all contracts for the purchase, lease, rental or hire of goods and/or services of a similar type (and also construction contracts). The University or its Departments need to determine whether goods or services are similar. Aggregation is determined at the level at which the purchasing decision is made (department, faculty, University wide for example). It is not necessary to aggregate if it does not make commercial sense to purchase goods together.

4.2.2 Aggregate values may be calculated by one of the following methods:

- a. the total value of goods/services purchased during the last financial year; or
- b. the estimated total value of all contracts expected to be placed in the next financial year, or during the term of the contract if that is longer (e.g. 4 years); or
- c. where contracts have no definite duration, 48 x the monthly value.

(These principles are mirrored in Financial Regulations for the calculation of contract values and application of competition thresholds.)

4.2.3 Contracts may include an option to extend but, if not, the contract must end on the due date and must be renewed in line with the Directives. (In some very specific circumstances the Directives do allow limited extensions.)

4.3 EU Tendering Procedures

Under the Directives, bids must be sought by one of the following procedures:

- Open Procedure
- Restricted Procedure
- Accelerated Restricted

- Negotiated Procedure
- Accelerated Negotiated
- Competitive Dialogue

Advice should be sought from Procurement Services on the appropriate procedure to follow

4.4 Advertising in the Official Journal of the European Communities (OJEC)

4.4.1 There is no charge for advertising in the OJEC. Notices should be forwarded to Procurement Services (Procurement.Services.enquiries@admin.cam.ac.uk) for onward transmission to the Office for Official Publications of the European Communities. All notices are in a standard EU format.

4.4.2 Prior Information Notice (PIN)

PIN notices must be advertised at the beginning of the financial year to alert the market about supply and service contracts which the University anticipates letting during the year (please give Procurement Services advance warning of large supply and service contracts)¹. PINS may also be published for individual supply or service contracts. PIN notices are placed in the Journal well before the tendering process is likely to start to notify the market of our intentions. Interested parties may then express an interest to participate. Placement of a PIN results in a reduction in procedural timescales.

4.4.3 Contract Notice

A notice is placed in the OJEC (via Procurement Services) stating the intention to place a contract using one of the procedures above.

4.4.4 Tender evaluation

Tenders are evaluated against pre-determined criteria which have been weighted as appropriate. These criteria will be both qualitative and quantitative so that, the most economically advantageous tender can be identified.

4.4.5 Notice of Award

Whichever procedure is used, a Contract Award notice must be sent to the OJEC within **48 days** of the award being made.

4.4.6 Debriefing suppliers

Suppliers may request the reasons why they were unsuccessful. This debriefing must be carried out in accordance with best practice and within the constraints of confidentiality. Advice about how to manage debriefing should be sought from Procurement Services.

More detailed guidance is available at:
http://www.admin.cam.ac.uk/offices/purchasing/guides/eu_guide.pdf

¹ Public Contracts Regulation 11(1). A PIN also needs to be published when a decision is made to authorise a construction contract subject to the Directives.

5. Import Procedures

5.1 Terms of Sale

If obliged to purchase from abroad on a supplier's terms of contract, it is important to determine what is included in the purchase price, and when risk and ownership pass to the purchaser. Commonly used terms include:

ExW	(Ex Works) Buyer pays insurance and transport from the time the goods leave the seller's warehouse.
FOB	(Free on Board) - Seller pays for packing and delivery to the place of loading and any loading charges. Buyer is responsible for goods from the time the goods pass "over the ship's rail" or when they reach the airport or depot.
CIF	(Cost, Insurance, Freight) - Seller pays these costs for the goods in transit to the agreed destination.
CIP	(Carriage and insurance paid) carriage and insurance to be arranged by the seller, Risk passes from the seller to the buyer when the goods pass the ships rail. Buyer responsible for arranging carriage from port
CFR	(Cost and Freight) - Seller pays for freight, buyer pays for insurance.
DDP	(Delivered duty paid) – All costs borne by the supplier, to the agreed buyer destination

Please see link for further information on Inco terms:
<http://www.iccwbo.org/incoterms/>

5.2 Freight Forwarders

Freight Forwarders can advise on the best method of transportation and will see that all of the correct documentation is issued. This will avoid any delay in importing goods, for delays may mean that storage charges are incurred. If notified in advance, the agent can arrange insurance and will pay any duty and VAT due on the imported goods at the port of entry, on the understanding that Departments will reimburse them within 10 days. The University's recommended clearing agent is:

East Anglia Forwarding Ltd.
 25 Cromwell Road
 Cambridge CB1 3ED
 Tel: 212424 Fax: 244702

5.3 Purchasing Goods and Services from Outside the EC

VAT and import duty is payable on goods from non-EC countries, unless they meet the requirements to obtain reliefs. The rules for calculating the amount payable are complex, and it is best to seek advice from the agent.

Guidance detailing the reliefs available and how to obtain them can be found at:
<http://www.admin.cam.ac.uk/cam-only/offices/finance/procedures/vat/nine/>

The University's VAT number (823 8476 09) should be stated on the purchase order, so as to avoid delay at the port of entry.

5.4 Purchasing Goods and Services from the EC

5.4.1 Goods from the EC

If *goods* are purchased from another EC member state and are brought into the UK then the supplier should not be charged VAT provided that the supplier is advised of the University's VAT number (823 8476 09). However, this is not as beneficial as it might seem at first, because the University is required by law to charge itself VAT at the UK rate of 20% if the goods would have been VAT able in this country. This tax is called acquisition tax.

To see an up to date list of the EC member states see:
<http://www.admin.cam.ac.uk/cam-only/offices/finance/procedures/vat/appendices/appendixa.pdf>

5.4.2 Services

Some *services* may also be bought without paying VAT to the supplier by using a similar mechanism of providing the University VAT number and then applying a Serv_Tax of 20%.

This isn't a straight forward area of VAT; readers should consult the VAT chapter for guidance on what does and does not qualify.

For further details please refer to the VAT and Other Taxes Procedures.
<http://www.admin.cam.ac.uk/cam-only/offices/finance/procedures/vat/eight/servicesosuk.html>

6. Environmental Considerations

6.1 Purchasing and the Environment

It is University policy to “give preference, as far as practicable, to those products and services which cause least harm to the environment”. Products may contribute to pollution and the depletion of natural resources, having environmental impacts at different points in its lifecycle - in manufacture, in use or in disposal.

See the Green Procurement Guide:
<http://www.environment.admin.cam.ac.uk/what-are-we-doing/green-procurement>

6.2 Specification, Standards and Award Criteria

Environmental considerations may be included in the specification of a proposed purchase, or among the criteria against which a supplier is to be chosen. Specifying in environmentally friendly terms sends a clear indication to suppliers that you take environmental issues seriously. In drawing up specifications whole-life costs should be considered.

Environmental factors may include energy efficiency and waste reduction, which contribute to cost savings as well as environmental performance. Environmental standards increasingly help in choosing environmentally preferable products. These include the EU Eco labelling Scheme, ISO 14001, and the European Eco-Management and Audit Scheme (EMAS). The supplier’s environmental credentials may also be assessed: whether it has a formal policy and a recognised environmental management system.

The EU Directives require however that specifications’ must relate to the subject matter of the contract, not extraneous matters. Requirements about environmental management systems for example can be relevant to construction and service contracts but are irrelevant if goods are being purchased. Requirements must not discriminate against products or providers from other member states, or restrict competition (for example by requiring that green electricity is to be generated by wind-energy, to the exclusion of hydro or solar). The purpose of the award stage of the procurement process is to allow the contracting authority to assess which tender best meets its needs. Environmental award criteria must relate to the subject of the contract and test the relevant environmental qualities of each of the bids, not secondary issues, such as external costs or benefits.

6.3 Product guidelines

The following tips on particular products may be useful.

Computer equipment	The US Environmental Protection Agency 'Energy Star' identifies monitors and computers which use less than 30 Watts in standby mode and return rapidly from standby to active mode.
Paper	The quality of some recycled papers is now high enough for many applications. Recycled, chlorine-free paper is preferable for office use, in the lowest weight, which satisfies quality requirements.
Notelets, Pads and Envelopes	Water-based adhesives are preferable to those containing solvents. Padded envelopes should contain no plastic.
General stationery	Most suppliers offer environmental ranges, including pens, rulers and desk tidies made from recycled plastic and renewable resources, solvent-free marker pens and files which can be re-labelled and re-used.
Renewable resources	Such as paper, card, wood, cellulose and cotton are preferred to plastic, which is made from oil, a non-renewable resource.
Calculators	Solar power is preferable to batteries, which require energy to manufacture and contain toxic heavy metals, which are difficult to dispose of safely.
Furniture	Wood should preferably be obtained from sustainable forests. Wood preservatives and lacquers should be water-based, and formaldehyde should not be used in manufacture.

7. Disposal of Surplus Equipment

7.1 Responsibility and accounting

Heads of Departments are responsible for the sensible disposal of surplus equipment. It must be clear that the University is the rightful owner of the equipment before it is disposed of. Equipment identified for disposal should first be offered to other Departments, and only sold externally once it has been determined that the University no longer requires it.

An Accounts Receivable invoice must be raised for any equipment sales to external parties.

The Fixed Asset Helpdesk in the Finance Division must be advised of all asset disposals - this is especially important for equipment originally valued at over £10,000 prior to 31 July 2008 and over £30,000 since that date.

- Complete the Fixed asset disposal form available at <http://www.admin.cam.ac.uk/offices/finance/forms/fadisposal.doc>
- email to: UFS_FA@admin.cam.ac.uk.

7.2 Advertising and selling your surplus equipment

Staff can utilise a sector wide database to advertise equipment for sale/transfer, similarly to buying second hand equipment.

For more information on selling second hand equipment please visit http://www.admin.cam.ac.uk/offices/purchasing/guides/second_hand_equipment.pdf

7.3 Legislative Requirements

Staff must take into consideration all legislative requirements before undertaking any disposal. These include, but are not limited to:

- the WEEE (Waste Electrical & Electronic Equipment) Regulations
<http://www.environment.admin.cam.ac.uk/what-are-we-doing/recycling-and-waste/electrical-and-electronic-waste-weee>
- Health and Safety considerations:
 - It is necessary to obtain a check from Health and Safety and a certificate before passing any electrical goods to any third party including staff.
 - Equipment which may be contaminated with hazardous substances must be cleaned appropriately before being disposed of and a signed decontamination statement provided.

See also the Fixed Asset Procedures, Chapter 16 of Financial Procedures Manual
<http://www.admin.cam.ac.uk/cam-only/offices/finance/procedures/assets/>

- Disposal of IT equipment

There is arrangements in place for the disposal of IT equipment and information on the process can be obtained from

<http://www.environment.admin.cam.ac.uk/resource-bank/guidance-documents>

It is very important to ensure that all information, especially personal information, is effectively and fully deleted before IT equipment is disposed.

Further guidance and the recommended disposal principles and disclaimers are set out in <http://www.admin.cam.ac.uk/offices/purchasing/guides/disposal.html>

Appendix A: Flowchart - The Purchasing Cycle

