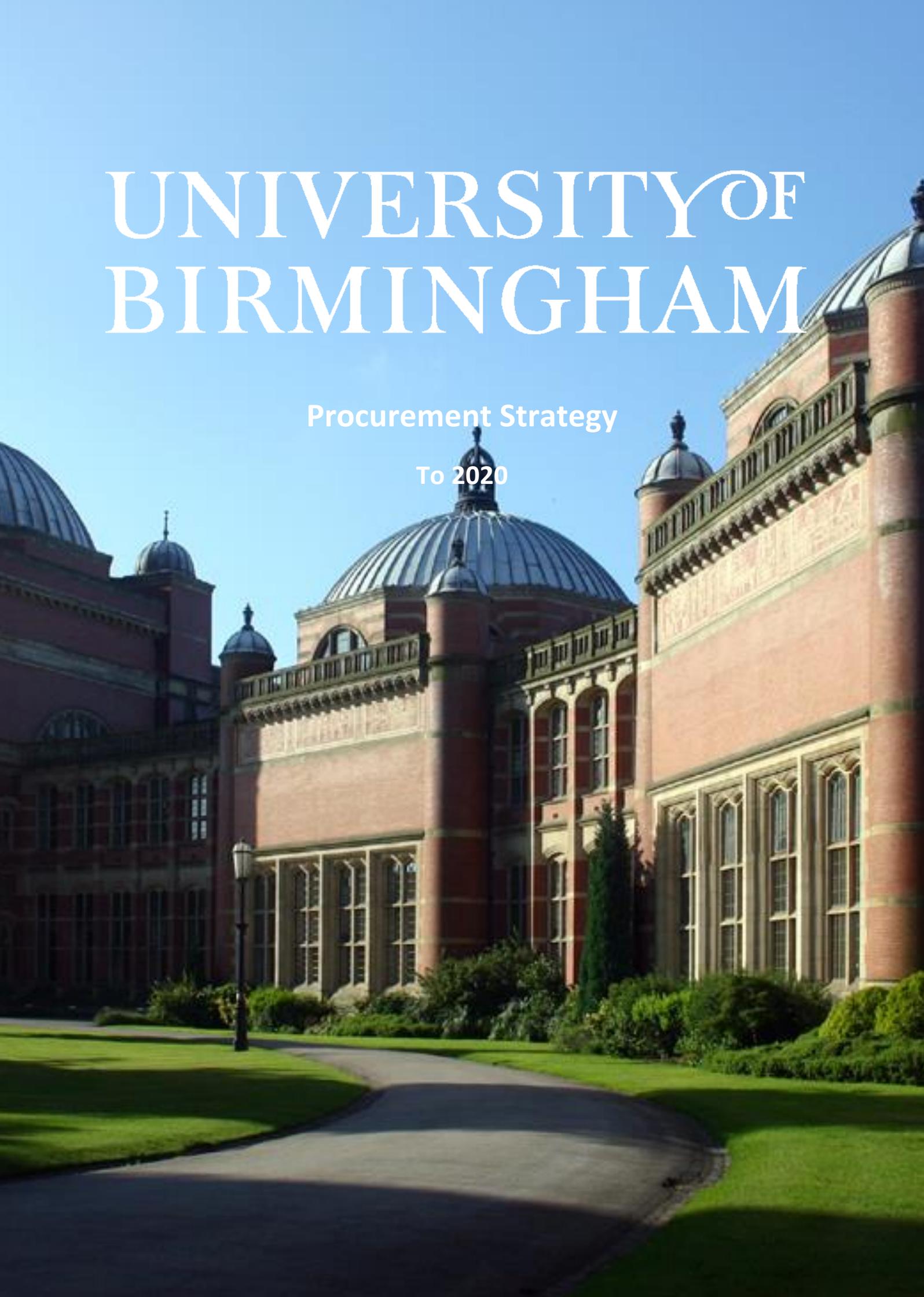


# UNIVERSITY OF BIRMINGHAM

Procurement Strategy

To 2020



## Ambition and Vision

The University will deliver excellent procurement to:

- significantly strengthen its purchasing power and leverage across its spending
- encourage a culture of innovation and share our approaches to demonstrate leadership
- ensure procurement activity is aligned with the aspirations and values outlined in our strategic framework
- deliver a pipeline of thematic and coordinated procurement projects that will increase savings for the University by around £2 million per annum

These aspirations will enable Procurement to demonstrate improvements in overall value for money as well as quality of service across the organisation.

Our ambition and vision will be underpinned by the Procurement Strategy Forum (PSF) which is formed of Senior Stakeholders, Academics and Directors. With the support of this group we will ensure the procurement and value for money agenda is driven forward, and the ambition to deliver increased savings for the University realised.

Senior Stakeholders will also support the ambition of delivering procurement excellence and innovation enabling us to demonstrate additional value that links to our institutional objectives.

Sustainable Procurement will continue to be central to our approach; this ensures our activity manages both risk and opportunity in relation to environmental, social and economic challenges. This will also position us to demonstrate the impact of our spending on regionally important agendas such as inclusive growth, sustainable transport and skills development.

## Introduction

The University of Birmingham's overarching procurement third party spend profile from 2013 reported to 2018 reported to Audit Committee was as follows;

Description	2012-13 Values (£m)	2013-14 Values (£m)	2014-15 Values (£m)	2015-16 Values (£m)	2016-17 Values (£m)	2017-18 Values (£m)
Total Spend (extracted from the Purchase Ledger)	£166.80	£204.50	£297.30	£283.70	£278.10	£373.40
Less spend that Procurement cannot influence	£44.00	£51.70	£54.80	£55.00	£65.10	£56.30
Deduct Estates Major Project Spend below £4.5m	£14.50	£14.10	£13.50	£19.70	£15.80	£16.70
Deduct Purchasing Card spend:	£3.30	£3.80	£4.80	£5.00	£5.90	£6.80
Deduct spend below £25k	£16.90	£17.60	£15.30	£15.80	£16.40	£16.80
<b>Influenceable Spend (see below)</b>	<b>£88.00</b>	<b>£117.40</b>	<b>£208.90</b>	<b>£188.20</b>	<b>£174.90</b>	<b>£276.80</b>

Purchasing Card performance improvement reported to 2018 Audit Committee;

Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total card spend	£3.3m	£3.8m	£4.8m	£5.0m	£5.9m	£6.8m
Transactions	17,561	18,051	22,316	20,608	20,353	21,927
<b>Average</b>	<b>£189</b>	<b>£210</b>	<b>£198</b>	<b>£207</b>	<b>£241</b>	<b>£258</b>

E-Marketplace performance improvement reported to 2018 Audit Committee;

Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Purchase orders	15,489	22,635	26,001	26,995	27,694	30,260
Order values	£2.1m	£3.6m	£3.9m	£4.2m	£4.7m	£5.06m
Invoices processed	4,660	7,507	13,328	12,602	12,402	13,695
Catalogue suppliers	36	37	43	52	51	53
<b>Efficiency savings</b>	<b>£0.3m</b>	<b>£0.5m</b>	<b>£0.6m</b>	<b>£0.6m</b>	<b>£0.61m</b>	<b>£0.66m</b>

Travel Services performance improvement reported to 2018 Audit Committee;

Key Travel	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
System bookings	4,254	7,800	9,744	11,703	13,580	16,435
Contract spend	£1.6m	£2.7m	£3.3m	£3.7m	£4.4m	£5.8m
Total University spend				£7.0m	£7.5m	£8.9m
<b>Percentage of Contract Spend</b>				<b>53%</b>	<b>58%</b>	<b>65%</b>

The overarching summary savings profile improvement reported to 2018 Audit Committee:

Description	2012-13 Values	2013-14 Values	2014-15 Values	2015-16 Values	2016-17 Values	2017-18 Values
Cashable savings	£4.2m	£5.6m	£8.1m	£11.1m	£12.0m	£15.5m
Efficiency savings	£0.9m	£1.1m	£0.5m	£0.6m	£1.1m	£0.4m
NEUPC cash savings	£1.2m	£1.7m	£2.5m	£2.6m	£2.7m	£2.5m
E-Marketplace savings	£0.6m	£0.9m	£0.6m	£0.6m	£0.6m	£0.7m
<b>Totals</b>	<b>£6.9m</b>	<b>£9.3m</b>	<b>£11.7m</b>	<b>£14.9m</b>	<b>£16.4m</b>	<b>£19.1m</b>

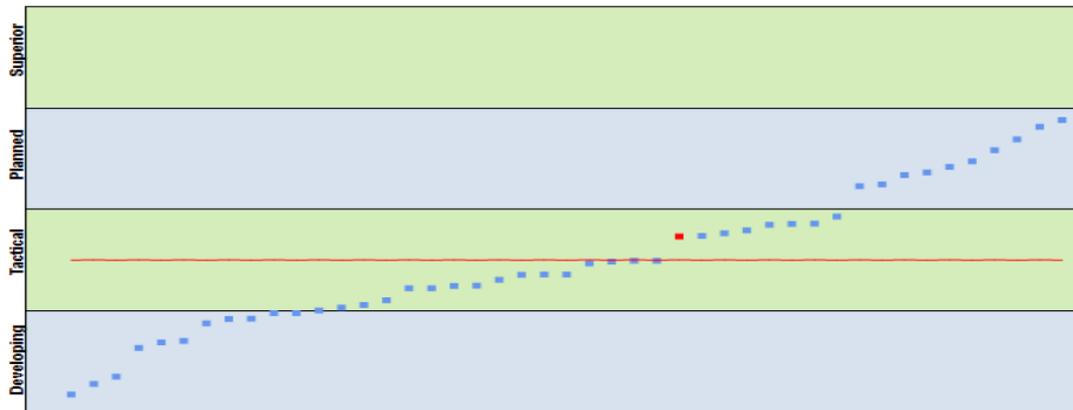
## Procurement Maturity Assessment

The procurement function was assessed in 2014, 2016 and 2018 under the national external Procurement Maturity Assessment (PMA). Under this performance Assessment, 55 distinct criteria covering aspects such as; value for money, strategy and leadership, environmental performance, governance and due diligence and quality of consistent operating procedures are tested. In 2018 Procurement achieved “Superior” status. The four levels of University Procurement Performance (lowest to highest) are listed follows;

- (1) Developing (low performance)
- (2) Tactical (operations acceptable but generally weaker)
- (3) Planned (operations in a healthy position with some areas for improvement)
- (4) Superior (high performance with excellent value for money)**

University procurement performance levels (related to the sector) have now enhanced (in RED) as follows;

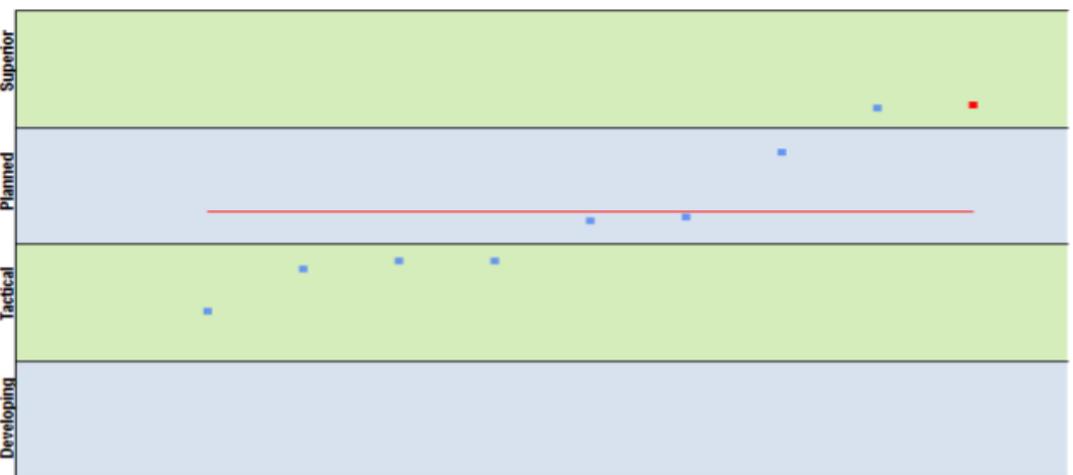
### PMA Assessment 2014



### PMA Assessment 2016



### PMA Assessment 2018



The University's procurement operation "value for money" performance has increased from 43% in 2014 to 80% in 2018, sectoral performance now shows the University of Birmingham as "1 of 8" UK University's in "Superior" and "1 of 2" very large institutions in "Superior".

Annual averaged "cashable" savings performance has now increased from 4.7% up to 2013 to 5.85% in 2018, this has resulted in £11,907,500 additional "cost avoidance" for the University. This should project to £15 million additional cash to 2020.

## The Strategic Framework 2015–2020

(Making important things happen)

Under Strategic Framework 2015-2020, the University of Birmingham will nurture and invest in intellectual talent and ideas, delivering world-class research and education, unlocking value, and making important things happen.

The Strategic Framework has four themes: Research, Education, Influence and Resources.

This Procurement Strategy will focus on the areas we can make the most significant contributions; to the “Resources” and “Engagement” aspects of the Framework. We will strive to support the creation of “a vibrant intellectual environment” and seek to demonstrate through our procurement activity what it means to be a “civic university”.

Over the next five years, we will use the resources we generate purposefully, decisively, and accountably, and we will continue to invest. Maintaining our financial sustainability means we can invest boldly and wisely for the future, develop our University campus, and establish lean and effective processes and systems that support our operations.

Additionally, we will diversify our income streams and ensure that the University continues to generate the funds needed to deliver the levels of performance expected by our stakeholders. This will increase our ability to attract external investments, including from research funders and philanthropy. Flexible financial planning will be fundamental to achieving our ambitions, as we prepare for uncertainty. We will retain the financial capacity to take advantage of unexpected opportunities, which are increasingly likely in the emerging political climate.

Improving overall procurement performance and enhancing value for money will be central to supporting strategic framework. This Procurement Strategy will outline how procurement process and practice will be strengthened to improve overall performance.

### Finance Office Values

Procurement operations sit within the Finance Office structure and will therefore reflect as part of its strategy the values of the Finance Office as follows;

- Integrity (*we do the right things*)
- Service (*anticipating and responding to our customer’s needs*)
- Innovation (*striving to improve how we do things and finding solutions to challenges*)
- Ownership (*we take responsibility for our actions and deliver on our commitments*)
- Respect (*we recognise the value of others and the contribution they make*)
- Teamwork (*we are one team working together*)

*This Procurement Strategy will therefore seek to support these themes via enhancing value for money and service levels for the University.*

## Challenges for Procurement

As the University of Birmingham goes forward in an increasingly competitive environment and seeks to address challenges and opportunities and continues to invest in new facilities and developments. Procurement (and the wider sphere of influence) has developed further and invested significantly to support this wider strategic agenda. Therefore a number of key challenges are being addressed as follows;

- a) **Savings achievement;** to maintain and protect the averaged savings per annum, working on the assumption that savings may become harder to achieve in the same areas consistently, and also developing wider and deeper savings without damaging quality and governance. Savings profile calculations demonstrate that each Category Leader is increasing their averaged demographic savings capability from the 2013 baseline average of £524,000 per annum, this equates to funding around 10 general academic posts per annum to £1,100,000 by July 2018.
- b) **Spend Demography;** greater influence has been exerted over the non-influenceable spend that sits outside the initial direct savings activity of the function, therefore working across the University via thematic and coordinated procurement projects such as; Capital, Infrastructure and Operations will bring wider collective benefits for the University.
- c) **Coordination;** joining up more closely research grants with best procurement practices and market research to ensure activities such as ECIF are linked more closely to ensure early engagement with the procurement function. This will ensure that the University is not compromised over EU Directives and transparency (which if happens can result in funding reductions). Engagement with Research and Innovation Services has improved value for money opportunities where practical.
- d) **Supplier Relationship Management (SRM);** developing more effective supplier relationship management processes to ensure improved value for money and tighter contract control. Public Sector evidence has revealed that up to 8% savings of the total contract value can be achieved when contracts are managed more effectively. Savings can be achieved by working closely with the contractor to actively find savings or product / service improvements and avert, where practical, standard price increases.
- e) **Risk Management;** increasingly strengthening overall risk management, governance, ethical performance and regulatory compliance in areas such as carbon management, efficiency of process, responses to Freedom of Information (FOI) requests and overall selection of the right processes.
- f) **Collaboration;** under the Diamond Report (Professor Sir Ian Diamond, Principal and Vice-Chancellor, University of Aberdeen), universities have sought to subject up to 30% of their third-party spend to collaborative arrangements. The University has now strengthened its collaborative engagement with the North Eastern Universities Purchasing Consortium and has joined the Construction West Midlands Framework and also strengthened Regional and National links with the Higher Education Sector

- g) **E-Systems;** the e-marketplace is being extended and developed across the University to provide higher level IT procurement based access, this will also link to Oracle Fusion in February 2019
- h) **Ethical Responsibilities;** to work with the Guild of Students and organisations such as the Workers' Rights Consortium, Electronics Watch, the Fairtrade Foundation and others to improve the ethical performance of the University's supply chains. To further encourage suppliers via the tendering processes and SRM to improve ethical performance. To also work closely on CO2 monitoring activities to ensure compliance and best practice. The University will also seek to drive forward on the current initiatives;
- The Flexible Framework for Sustainable Procurement (Level 5)
  - The Social Value Act 2013
  - Innovation Partnership (under the 2015 EU Procurement Directives)
- i) **Brexit;** the impact of Brexit on supplies and services to the University and also cost implications related to the "£, \$ and the euro" etc. will be a significant strategic initiative going forwards.

## Mechanisms for Addressing Challenges

In order to meet the above challenges, the following mechanisms are proposed:

- a) **Stakeholder Engagement;** the Procurement Strategy Forum, consisting of senior stakeholders, consisting of Director-level officers and academics from across the University are helping to deliver a more challenging procurement agenda going forward and supporting more innovative and commercial category approaches to the University's procurement operations.
- b) **Systems and Process;** to roll out systems across the University and further develop improvements in systems and procedures via the reduction in invoice queries, greater standardisation and streamlining of tendering processes to support a "fleet of foot" approach.
- c) **Procurement Skills;** these will be developed further to strengthen reverse auction technology, negotiation capabilities, pre-commercial procurement, standardisation and category management, amalgamating purchases and bulk discounts, and reduce contract 'leakage' from outside main supplier agreements.

These mechanisms will facilitate the following delivery themes of the strategy;

## Theme One: Savings Delivery

***Concept;*** *the more the University can save on its third-party, non-pay spend the more it can invest in developing its front-end academic delivery.*

***Challenge;*** *to protect existing savings delivery in stronger markets and pursue further procurement savings.*



This theme will be delivered via the following mechanisms;

- a) **Analysis of spend profiles;** to identify opportunities to strengthen existing and new procurements via supplier reduction (database and contractual), product or service standardisation and streamlining, and mandating and strengthening contract usage.
- b) **Strategic stakeholder engagement;** utilising the coordinated support of University Directors to develop high profile opportunities for the University, with greater joining up of procurement contracts where there would be an advantage within the marketplace and a wider supporting of the “vision and ambition” of this strategy.
- c) **Setting procurement savings targets;** in order for the University to support wider investment opportunities. Hypothetically, if the annual savings could be effectively increased by coordinated cross-campus working without reductions in quality or service levels, this could result in additional annual saving and wider investment opportunity for the University. Therefore if savings can be achieved above the ambition level of this strategy, the impact and opportunity is far higher.
- d) **Delivery and improvement options;** assess delivery options for all areas associated with procurement and spending with third-party suppliers.
- e) **Top supplier re-engagement;** to commence a review process for all top suppliers to the University to establish an optimum position by way of price, while recognising that many of the University’s leading suppliers are significantly larger commercial enterprises than the University itself.
- f) **Developing collaboration;** to open contracts up for other Universities or public sector based organisations to access, to utilise a wide range of collaborative opportunities where beneficial and to work more effectively with the consortia to ensure value for money potential is maximised.
- g) **Procurement Hub;** to develop the role of the Professional Services Procurement Hub across the University to drive greater standardisation of requirements and value for money across the campus.

***Theme one will be a high level of focus for the Procurement Strategy Forum.***

## Theme Two: Capacity Building

**Concept;** *to improve the overall capability of all University staff linked to, or associated with, any form of procurement activity, by improving their skills and approaches.*

**Challenge;** *to develop a wide range of internal practical training packages for roll out across the University and to identify officers that require such training.*



This theme will be delivered via the following mechanisms;

- a) **Engagement;** working with the colleges, schools, professional services and functional groups to identify key staff and their requirements for training and to support understanding of and engagement with the appropriate contractual arrangements.
- b) **Materials;** to develop bespoke training materials and courses that are “University-specific” and to run events as either School or College-based or wider as general training (available to any that require it). To also develop links with the University’s Business School and wider functions to develop creative opportunities.
- c) **Performance;** to support improvement performance for all officers involved in procurement, including officers from within the procurement function.
- d) **Procurement;** the procurement function will adopt and develop new ideas and innovations to drive improvements for the University.
- e) **Insurance Services;** to develop the role of insurance services and identify wider improvements around asset management, travel coordination and value for money.

## Theme Three: Systems, Processes and Innovation

**Concept;** to develop further all procurement based E-Systems for the University to improve “fleet of foot” and strengthen capacity.

**Challenge;** significant work required to develop further existing processes and drive leaner systems and more standardised approaches.



This theme will be delivered via the following mechanisms;

- a) **Oracle;** wider roll out of systems to encompass e-marketplace and tendering systems. This will put the University on to one operating platform for all requirements. The platform will require further elements of development and coordination with New Core and the Change Management initiatives.
  - b) **Document review;** to review all current tendering documentation and procedures in order to streamline and automate procurement operations. This will be delivered with further automation and template-based approaches to improve a “fleet of foot” approach.
  - c) **Website;** to further develop the University’s procurement web pages to carry more information on tendering opportunities and how suppliers and client functions can engage more effectively with the procurement function.
  - d) **Innovative Procurements;** this strategy will now seek to embrace key elements of the 2015 EU Procurement Directives to provide a wider opportunity to drive greater procurement innovation, the 2015 Directives identify six core procedures for use, four are currently in use by the University, the procedures in “Italics” will be developed to drive innovative procurements in conjunction with the Procurement Strategy Forum;
    - Open Procedure
    - Restricted Procedure
    - Negotiated procedure without prior publication (for emergencies)
    - Competitive dialogue
    - *Competitive procedure with negotiation (new)*
    - *Innovation partnership (new)*
- a) **Procurement Centre of Excellence;** to support the development of the Centre of Excellence, there are potentially three ways for the University to engage as follows:
- I. The "Centre of Excellence" would be a forum for organisations and suppliers interested in engaging in innovative procurement processes to learn from and develop pilot projects with public and private sectors to procure in different and creative ways within the marketplace and feedback learning from suppliers and procurers. Academic leadership would also be a key part of this process.

- II. Running innovative procurements for our own procurement needs, this could focus on research needs, learning technologies e.g. the Central Teaching Lab, ICT solutions or Estates based projects where a clear sense of outcome is needed but being agnostic about solutions.
- III. Taking University of Birmingham innovations emerging from our research and engaging as a supplier (possibly through a Birmingham Enterprise “spin out” organisation in innovative procurement processes).

A possible approach under discussion with the Procurement Strategy Forum is as follows;

- I. Identify an appropriate champion(s) via Academic and Professional Services
- II. Simplify the opportunity to stakeholder community in clear terms
- III. Seek ideas once the stakeholder community understand opportunity
- IV. Consolidate the ideas and opportunities to a few viable projects
- V. Identify potential funding opportunities to run two or three pilot projects to be supported via the “Direct Investment Fund” etc.

## **Theme Four: Sustainable Procurement**

***Concept;*** for the University to deliver sustainable procurement excellence with appropriate support provided for staff, suppliers and, if possible, supply chains.

***Challenge;*** to deliver an effective balance between supporting sustainability ambitions with effective value for money without damaging strong marketplace competition.



Making progress against the Flexible Framework (specifically our ambition to be demonstrating achievement of Level 5 by July 2018) will drive activity in this area. We will ensure that the work of the procurement office is aligned with the activity of the University’s Sustainability Task Group. We will also seek to demonstrate the contribution of the University spend in supporting regional sustainability commitments and priorities.

Our priorities include:

- a) **Jobs and skills;** supporting the creation of jobs and skills development for the Birmingham-based area as well as wider initiatives that develop our local economy. We will remove barriers to entry to encourage local, regional SME and ethnic minority suppliers to compete for university business. We will continue to support Worker’s rights initiatives especially in partnership with the Guild of Students to ensure the issues around the Modern Slavery Act, child labour, healthy and safe working environments, bribery and corruption and fair working hours commitments are integrated into procurement practice.

- b) **Engagement and Partnerships**; delivering supply chain management that improves value-for-money alongside demonstrating the positive social and environmental contributions of our suppliers. Engaging appropriately with internal and external groups such as the Investment Committee, the Sustainable Transport Group and others as appropriate. Developing opportunities for students via internships and research and Working with Consortia to ensure their ethical and environmental commitments are support the University in fulfilling its commitments to sustainable procurement.
- c) **Reducing Environmental impacts through spend**; ensuring we focus on how we can reduce our environmental impacts by:
- **Working with suppliers to reduce CO<sup>2</sup> emissions** via fewer deliveries to the campus or alternative products and to monitor and report CO<sup>2</sup> activities in areas such as travel and energy, working with wider consortia.
  - **Demand management**; working to reduce demands for products or services to drive savings but also to reduce consumption and waste, particularly in the high spending areas.
  - **Packaging reduction**; encouraging all suppliers (via value analysis and value engineering) to reduce packaging waste as much as is practically possible and for the University to seek to claim some saving as a result of packaging cost reductions. To also encourage suppliers to take back and recycle or re-use their packaging.
  - **Whole Life Costing**; Ensure that environmental, social and whole life cost criteria are considered in the assessment of best value for money and in the purchasing decision process.

## **Theme Five; Supplier Relationship Management**

**Concept**; to challenge and develop both the supply market and the internal University customers to fully capitalise and exploit procurement opportunities for goods and services via effective relationship management with major suppliers.

**Challenge**; to put the University in a place where it has the capabilities to search for and obtain the opportunities available.



This theme will be delivered via the following mechanisms;

- a) **Themes one to four**; developing the previous themes under a Category Management based approach to drive larger and further developed procurements and contracts for the University.

- b) **Procurement tools;** working with consortia, utilising reverse auctions, standardisation, contract management, etc. will all be further utilised to drive improved category management.
- c) **Value for money;** to develop contracts, internal client relationships and external supplier relationships to drive up improved value for money and service levels by way of a greater use of pre-commercial procurement and market research to improve specifications and contract conditions.
- d) **Savings reporting against list pricing;** moving more towards core baskets of goods and, where appropriate, more commitment-based contracting with fewer suppliers, rather than framework-based in conjunction with senior stakeholders.
- e) **Enhanced capability;** to improve overall third-party supplier relationship management within the university, to explore ways to keep suppliers focussed on delivering an excellent service to the University, to develop tools and training to improve overall University capacity and to manage supplier relationships effectively. Examples would be in areas such as the wider added value elements of the Key Travel contract and other new thematic contracts.

## **Appendix One; Terms of Reference** **(Procurement Strategy Forum)**

### **Procurement Strategy (Ambition and Vision)**

To establish a University wide Procurement Strategy Forum as a Senior Stakeholders and Directors group to support improving procurement and value for money, with an ambition to deliver a pipeline of thematic and coordinated procurement projects that will increase savings and innovation for the University to around an additional £2 million per annum over the duration period.

Whilst supporting additional procurement savings for the University, the Forum will also support the development of procurement innovation to create additional value in areas such as; student research opportunities (with supplier organisations), promotional and sponsorship opportunities with suppliers around Co2 reduction initiatives and greater development of sustainable procurement.

The group will support the University's Procurement Strategy (Vision and Ambition) and the Procurement Lead in the following ways;

### **Group Objectives**

The key group objectives will be as follows;

1. To take a strategic perspective on procurement activities and spending across the University. To debate and explore new approaches to existing and future requirements to encompass greater savings, greater internal collaboration and wider exploiting of innovation opportunities.
2. To endorse and support the delivery of the University's Procurement Strategy (2014 to 2017 revised to 2020) to create a project pipeline of thematic procurement improvement projects across budget centres.
3. To oversee project implementation from a Directorial perspective, to ensure colleges and Professional services are fully engaged.

### **Meetings**

The modus operandi for the meetings will be as follows;

1. Meetings will take place quarterly (or at key times) around the campus, with agendas, actions, minutes and feedback and will generally last for around two hours.
2. Forum members may act as thematic leads for key procurement projects and support champions (where required) for a variety initiatives.

## Procurement Strategy Forum Members (as at October 2018)

<b>Directors</b>	<b>Function</b>	<b>Thematic Area</b>
Trevor Payne	Director of Estates	Sustainable Procurement
Mark Gee	Chief Information Officer	IT Services
Stuart Richards	Director of HAS	HAS
Olivia Kew-Fickus	Director of Strategic Planning	Innovation
James Wilkie	Director of RIS	Innovation
Hilary Brown	For External Relations	Innovation
Diane Job	Director of Library Services	Library

<b>Directors</b>	<b>Function</b>	<b>Thematic Area</b>
Charlotte Jarvis	Director of Operations for CAL	CAL
Hannah Robinson	Director of Operations for EPS	EPS
Lorraine Gaytten	Director of Operations COSS	COSS
Emma Robinson	Director of Operations for MDS	MDS
Bronwen Lord	Director of Operations for LES	LES

<b>Academic</b>	<b>Function</b>	<b>Thematic Area</b>
Christopher Lonsdale	The Business School	Innovation