



## **Procurement Strategy 2021 - 2026**

### **Vision**

Our Procurement vision is to become world class in everything we do, recognised as a trusted strategic partner in the successful delivery of the University's Strategy 2030.

### **Mission**

Through improved cost efficiency and strategic supplier alignment we will maximise benefit for investment into academic research and teaching to support the University and its global standing. With better market insight, improved practices and ways of working with our suppliers and consortia partnerships, we will bring strategic and continuous innovation to the way we work in meeting the University's current and evolving requirements and budgets.

### **Foreword**

We aim to meet the needs for goods, services and capital works as a truly global university, rooted in Scotland's capital city and achieve value for money on a whole life basis, generating benefits not only to the University, but making a significant, sustainable and socially responsible contribution.

This University Procurement Strategy 2021, underpins the University's Strategy 2030, and it sets out the strategic direction for all procurement activity for the next five years.

The strategy has three main purposes:

1. To demonstrate compliance with legal duties, the University Court requires delegated authorities to always follow relevant regulations and legal duties, including, but not limited to (the current rules, effective on 18th April 2016), - the Public Contracts (Scotland) Regulations 2015 which covers regulated procurement, above £180k - the Procurement Reform (Scotland) Act 2014, the Procurement (Scotland) Regulations 2016 and related Statutory Guidance, which covers £50k-£179k regulated procurement, - any other legislation, relevant case-law and formal policy requirements, as amended.
2. To underpin the University's strategic objectives in the acquisition of goods, services and works, from capital and revenue funding, including research or collaborations.
3. To facilitate leading practices encouraged by recent procurement reforms, or relevant professional standards.

All procurement in the University is conducted on behalf of the legal entity of the University i.e. The University Court of the University of Edinburgh.

The procurement strategy and annual report must be reviewed each year and be re-issued or amended to comply with legislation. The current economic, political, financial environment may affect elements of the plan.



## **Executive Summary**

The Procurement Team has evolved since the last strategy 2018 and is now made up of 3 functional disciplines working together as one team for the benefit of the University to deliver more effective contracts for goods, services and works at all levels and throughout the entire organisation. The 3 functional disciplines are:

- Strategic Procurement
- Contract Management
- Operational Procurement (commences Autumn 2021)

During 2020/21, the Strategic Procurement team has been evolving in line with the requirements of the University which have been heavily influenced due to the COVID-19 pandemic. This strategy sets out some of the recent and continuing initiatives which will allow us to reset, stabilise and further build a strategic supplier model to deliver continuous commercial and delivery improvement.

Strategic Procurement and Operational Procurement comprises of four category areas:

- Labs
- IS
- Estates
- Professional & Campus Services

In the past 12 months two new teams have been established by a Head of Procurement Operations and Head of Contract Management who have been recruited under the Service Excellence Programme.

Influenceable procurement spend for 19/20 was circa £196.4m on contract, with £55.9m off contract. Throughout the year Procurement has been heavily involved in driving out costs for the University in support of the wider Adaptation and Renewal Programme with some £1.5m of efficiency already delivered for 20/21 with annual savings in subsequent years of circa £300K.

Through this, we are also looking to gain leverage on how to implement better strategic contracting policies and principles with a focus on criticality, cost, risk and sustainability. The next twelve months of this strategy will be a transformative phase which will shape both the structure and modus operandi of Procurement moving forward.

This strategy will ensure greater cohesion between the areas to ensure a consistent approach to ultimately achieve our strategic objectives. These themes and the actions around them are detailed later in this paper.

The areas this strategy will cover are the current and future requirements and is broken down into 9 specific areas:

1. Organisation changes - which covers demand management and staff development, is a summary of how the 3 teams are structured, their functions and how they will interact with each other.

Demand Management, details how the team has increased flexibility with the introduction of a core/flex model to target resource where it is needed most.



Staff Development, to continue to adapt to ever changing environments post Brexit and the pandemic, therefore we must develop new skills for our teams and the steps taken to achieve this.

2. Strategic Contracting – details the improvements we are planning to implement over the span of this strategy, increasing influence, reduction in the reliance of consortia frameworks, supplier reduction and contract consolidation.

3. Savings and Value for Money (VFM) – With the current economic situation, there is greater emphasis on achieving monetary cash savings and cost avoidance through good procurement and in-life contract management.

4. Stakeholder Management – For the Strategy to be successful new and improved forward looking focus on building and maintaining key strategic relationships.

5. Sustainability – We are working in conjunction with colleagues in SRS and APUC to identify and implement ways of contributing towards the University's goal of zero carbon. Also on major procurements we are working with stakeholders for the inclusion of community benefits which are delivered as part of the contract.

6. Supplier Performance – With the introduction of the Contract Management Team, we are initiating proactive steps to improve supplier performance and deliver continuous improvement both at contracting an in-life stage of the contract.

7. Governance – Through the programs and initiatives we are introducing, this will bring an enhanced governance over the procurement life cycle, across our teams, which in turn will deliver improved performance.

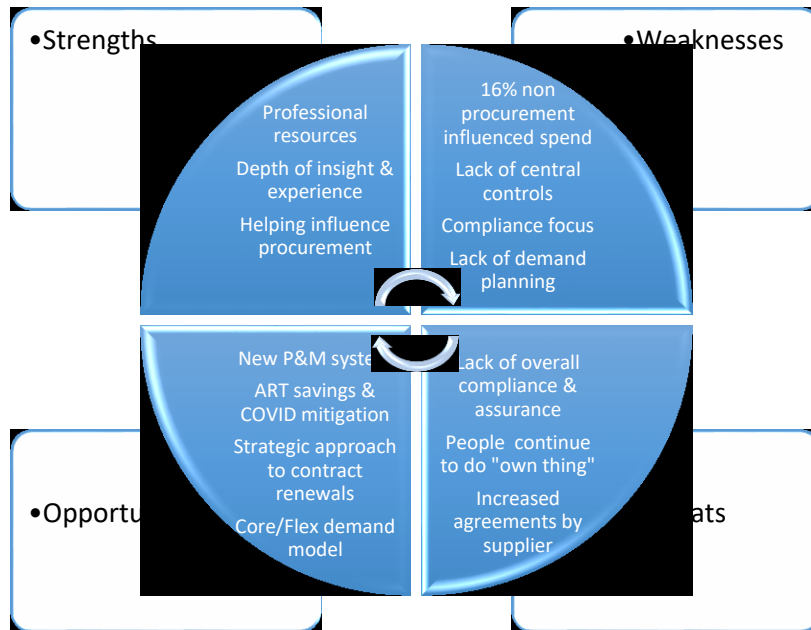
8. Innovation and Continuous Improvement – Many suppliers are experts in their respective fields, the private sector exploits this knowledge to improve products and services, whilst the public sector is considerably behind, therefore we are implementing a model which moves in that direction.

9. Consortia and External Relations – Procurement at the University is seen as one of the best in UKHE, winning multiple awards for its work. We are still on a journey of continuous improvement and will work with HE sector (nationally), Scottish Government and the wider public and private sectors to improve performance at the University and assist other organisations through briefings, training presentations and dialogue, of our ways of working. Members of the team represent the University and sector on key sectorial and government groups to influence external decision makers regarding prioritisation and direction of travel.



## Strategic Analysis

The following gives an overview of Procurement and its current status. The detail within this document is intended to address the development areas whilst further reinforcing strengths and opportunity.



## 1. Organisation

The Procurement team is currently aligned on a category basis to ensure specific focus into each of the areas with the management layer ensuring a cohesive approach across the functional areas of Strategic Procurement, Contract Management and Procurement Operations, with each reporting to the Director of Procurement who is ultimately responsible for the effectiveness and efficiency of the Procurement function as a whole.

- Strategic Procurement
- Procurement Operations including Stores and Procurement Support
- Contract Management

### Strategic Procurement

The Strategic Procurement team will be transforming over the lifetime of this strategy from a traditional HE organisation to a best in class team. It will be output driven, to meet the changing requirements of the University, challenging the status quo and striving to enhance contracts through their life span to deliver continuous improvement.

The contract management team will assist in delivery and enhancing of our client/supplier relationship management.



### **Procurement Operations**

The Operations team will become functional in line with the People & Money system, currently anticipated to be Autumn 2021. The advent of this operation will bring greater control to volume spend and through both the system and processes around it will introduce a change to buying behaviours and routes which are simplified and more transparent for the customer, as well as ensuring greater cost benefits and other controls across our overall third party supply chain.

### **Contract Management**

Through standardising contracting procedures and creating a library of clauses, we will further enhance contracting activity through the use of effective contract provisions. Delivering a more holistic approach to application and monitoring of these, so we can better identify and build on those areas which drive greatest benefit, as outlined in this document.

The team will continue to develop towards use of effective contract management and will continue to assure across the supply chain in driving value for money and performance excellence as they help develop a more strategic partner framework to underpin the University of Edinburgh's strategic aims of 2030.

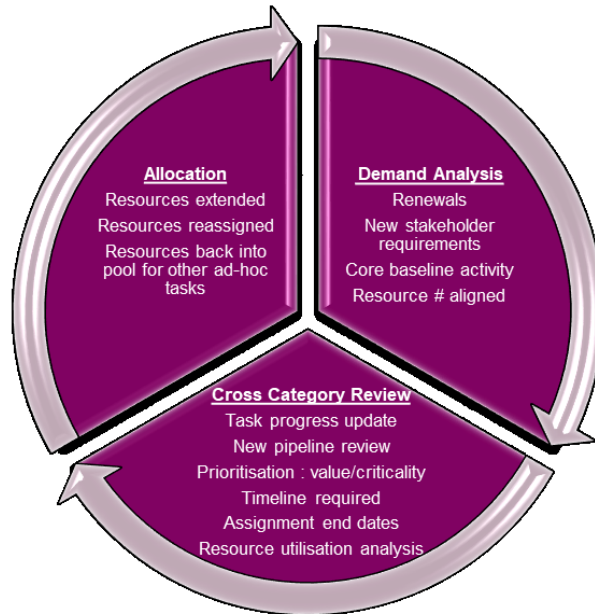
### **Demand Management**

Demand was dealt with on a category specific basis which meant that there was limited resource flexibility to demand. This model is no longer conducive to optimising procurement resources overall in how we flatten the impact of peaks/troughs and ensure the ability to deal with urgent and priority activities coming in.

We have implemented a "Core/Flex" model which enables us to use a flex-team of resources to cover intra and cross category activity. This approach ensures that whilst a core category team remains, we have the ability to allocate resources to deal with peak demand. Even with this however the core team members will remain in place to provide guidance as required.

Additionally through the movement of resources across the categories then a broader knowledge will be gained and ultimately progress towards a team of people who can be equally effective across all categories, therefore removing any concentrated points of failure and risk through staff attrition.

The model is illustrated below:



### Staff Development

Within Procurement we aim to use 20/21 and the first half of 21/22 as the years to build for the future. This is not just in terms of systems and process but to enable our people to be more strategic and position Procurement as a key differentiator in benefitting the strategic journey of the University and its objectives.

In support of this we are undertaking a number of initiatives:

- (i) We will improve supplier agreements through more robust service levels which align to the University's needs. This will include creating a library of core clauses which we will commence embedding to new agreements and renewals through 2021.
- (ii) We will develop a strategic roadmap to enable a more inclusive "one team" approach and ensure we move forward in an open, transparent and innovative way with everyone having the opportunity to contribute.
- (iii) Building development on sustainability, carbon management, ethical procurement including equality, diversity and inclusion are integrated in everything we do.
- (iv) Actively identifying potential talent to develop and align to succession planning.
- (v) Encouraging increased stakeholder management to build experience in dealing with senior individuals and integrating as part of their virtual team.
- (vi) Allocating new initiatives to individuals to lead, drive and deliver, to aid personal development.



## 2. Strategic Contracting

Our procurement influenced contracts cover over 84% of spend which can be influenced. These contracts are derived from our strategic procurement team and utilising frameworks from our procurement centre of expertise, APUC (Advanced Procurement for Universities and Colleges) and other providers.

We are applying changes to increase the procurement influenced spend during 2022/23 to be >90%. Whilst the new People & Money system and the implementation of the Procurement Operations Team, and the controls that they bring will help bring improved ordering practices and greater control to this, however we must also look to improve buying behaviours across the University.

To enable this a number of activities have been initiated across Procurement:

- (i) Actively reviewing the renewals pipeline to confirm need, lessons learned, ability to consolidate within existing.
- (ii) Identify and execute against most beneficial method of contracting, i.e. APUC, Scotland Exel, University of Edinburgh.
- (iii) Actively consolidating and driving any non- procurement influenced spend with suppliers through existing contracts with a philosophy of best in class/price rather than preference.

Our aim is to reduce the number of suppliers and the associated procurement administration around these. We are targeting >10% reduction in our suppliers in readiness for 21/22 academic year. With those remaining we will build on the tendering requirements being constructed to achieve contracts with greater detailed service level requirements and other commercial obligations which enable year on year efficiencies through mechanisms such as benchmarking, value for money reviews and remedies driving financial payments in respect of poor supplier performance around service level methodologies.

Both Strategic Procurement and Operations activities will be closely linked to ensure the correct flow of <£50K orders, at the same time identifying where buying trends through People & Money are analysed to inform the need for improved terms or contracts.

The University, as an integral part of both its strategic and operational procurement functions will ensure that equality, diversity and inclusion are a core consideration in its procurement activities ensuring compliance with current legislation by taking into account in its tender evaluation and contracting processes, a potential contractor's approach to equality in terms of its employment practices and service delivery. It will do this by asking potential contractors relevant questions and include appropriate provisions in its contract documents relating to these matters. The response to these questions will be evaluated as part of the selection process where appropriate. The impact of the contractor's procurement strategy with regard to the promotion of equality will also be monitored and managed during the life of each contract, where equality is deemed to be a core requirement.

### Organisational Impact

By implementing this approach and through the analysis described, Procurement will maintain the constant and correct balance of resource/staff alignment as defined by both volume and type of procurement procedure.



From this analysis and the alignment of pipeline we will:

- Better identify types of resources required
- Optimise working practices
- Re-purpose existing resources without incremental cost of ownership
- Better define the skillsets needed and the levels required to fulfil our aspirations of furthering a more strategic approach
- Create a procurement wide development and knowledge management approach enabling transient workforce between the categories
- Support ethos of building future teams from an established skilled and insightful model

### 3. Savings & Value for Money

COVID-19 has impacted the surplus that the University aims to maintain at 3-5% of revenues and as such increased the need to drive value for money in both total cost of ownership and (reduction) in external spend.

Whilst we continue to work with APUC on the Scottish Government’s BT1-14 savings categories, there is an increased focus on BT1 hard-cash savings. In support of this Procurement have initiated a plan which has already delivered £1.5m savings in 20/21 and annuity savings of some £300K per annum. (N.B. these are on top of ‘normal’ procurement savings).

The following illustrates some of the key drivers we continue to focus on throughout 20/21 and to become a standard methodology in subsequent years moving from a position of cost reduction to cost avoidance.

Area	Action	Dependencies	Outcomes
<b>Annual value for money</b>	As part of strategic contracting, build in annual VFM clauses to reflect incremental spend.	Improved demand planning and forecast pipeline to define financial parameters.	Reduced cost. Mitigation to indexation clauses. Encourages aggregated approach.
<b>Benchmarking</b>	In support of above , build in benchmarking clauses to major agreements to drive VFM and performance excellence	Market insight data	Ensures provision of market competitive pricing to UoE. Avoids large price increases/ provides mechanism to address.
<b>Devices</b>	Create inventory of existing assets and develop “re-use” from stock policy rather than always buy new. Also aim to standardise catalogues through P&M system.	Implementation of P&M system. Clear compliance and turn back on new orders where outside spend approval or where stock exists.	Reduced costs. Greater control over assets. Standardised estate. Ability to define better peripheral buying and processes around that.





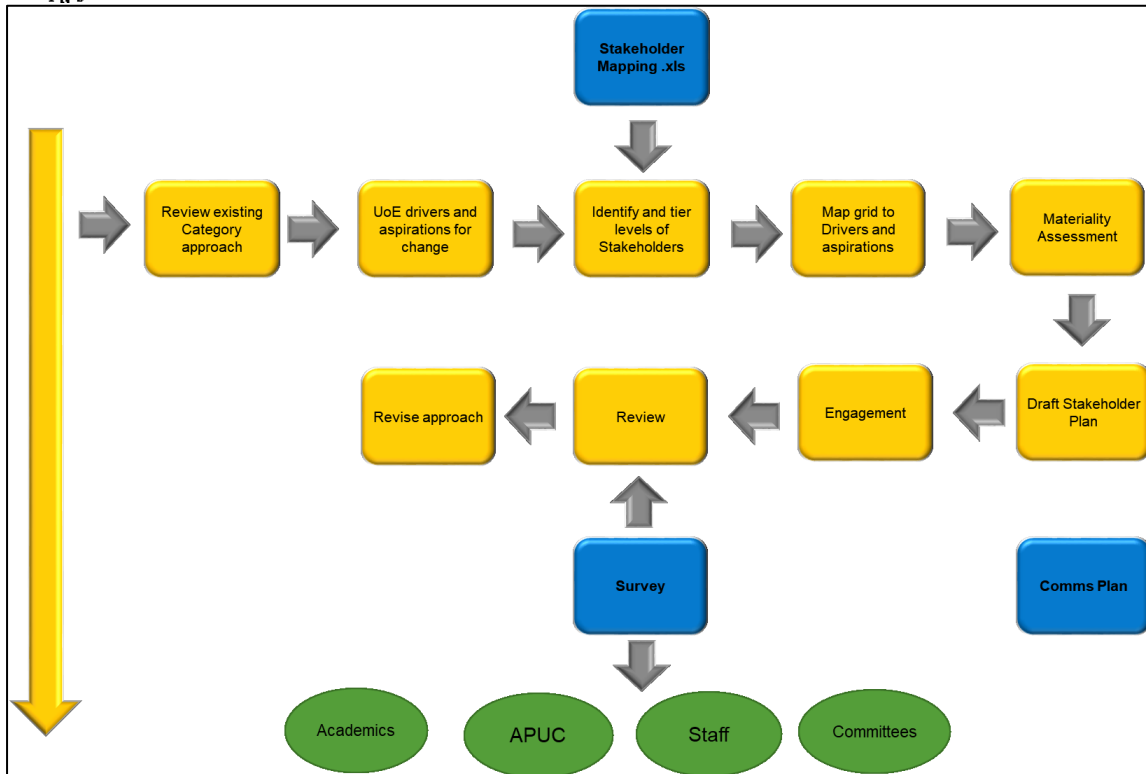
<b>Supplier consolidation</b>	Actively consolidate multiple suppliers for similar services.	Agreement from Colleges and departments to buy on cost and capability and not preference.	Reduced supplier base. Reduced admin costs. Improved performance Commercial leverage
<b>Professional Services</b>	Baseline necessary resources (incl. pipeline) and identify critical suppliers and frameworks. Implement with HR a "re-purposing" policy to optimise existing contractor resources	Reliance on Colleges and departments to adhere to on-boarding/off-boarding assignments. Any extensions to have full justification and confirmation skillsets not already existing elsewhere.	Reduced direct costs and associated overheads. Ability to reduce agencies and spend. Enable better profiling of resources to demand pipelines. Avoidance of stranded costs.
<b>Service credit regimes</b>	Service Credit Regimes	Understanding of support requirements from stakeholders	Financial mitigation on issues Improved supplier performance.

Over the next 24-36 months, Procurement will continue to drive change to deliver increased efficiency and best in class supplier management. This will entail much more of a focus on demand analysis and planning to enable and maximise cost reduction and value for money is to the fore in all renewals and new supply agreements.

#### 4. Stakeholder Management

An inherent part in making any strategy successful is the regular inclusion of key stakeholders across the University. The following outlines the process which defines how we aim to progress improved engagement with senior stakeholders and partners.

We will also be reviewing the committee structure Procurement reports to and whether that should be revised.



It is imperative that as we move through 2021 and beyond that Procurement is driving engagement which captures and progresses the key priorities of each of the areas, at the same time monitoring support and the quality of that against value for money and delivery excellence.

The Director of Procurement will continue to hold regular briefing sessions with Heads of College, School and Departments and other senior stakeholders, which will be supplemented with a wider quarterly update to advise on general progress, new initiatives and gauge general feedback.

Each of the Procurement Leads, as well as day to day engagement will have at minimum, a monthly meeting with their stakeholders, the feedback from which will be collated to form a cross procurement view of progress, system issues and new requirements.

The intention however is to ensure that we create more forward focus on building and maintaining value added strategic relationships.

## 5. Sustainability & Diversity

The importance of sustainability as we aspire to be a net zero carbon university is increasingly important as is the assurance of sustainable procurement in the environment.

Throughout we must ensure best practice across our own procurement operations and into assuring that of our supplier's supply chains. This with the aim of putting sustainability at the fore but also to help protect the University from reputational and other potential damage.



It's important that we ensure increased focus on these two critical areas both at the tendering stage and throughout the contract life cycle, to ensure compliance not just by the University but its suppliers and their onward supply chain.

This is especially critical as the world supply chains move to a more normal footing and we must recognise that the societal and environmental issues regain prominence. Therefore we must ensure that as well as cost and quality our supplier base is focused on:

- Climate Change
- Community benefits
- Waste Management
- Modern Day Slavery
- Diversity, Equality and Inclusion

From a Procurement perspective, we will introduce an assurance as part of our contract management activities. Throughout 21/22 we will build on key clauses required in our tendering documents and agreements to support this, which will be part of a wider library of key clauses.

Examples of these but not limited to could include:

- Requesting suppliers to advise of their own policies and assurances controls around these
- Requirement for suppliers to provide regular updates on checks and any findings
- To advise of any changes within supply chains which could impact sustainability
- To advise of any non-compliance findings and subsequent remediation
- Ability for the University to request remediation plans as required

We will also apply a controls framework (below) to ensure that our supply chain remains compliant and where any risks are identified, these are captured and formulate key action plans with the supplier and wider HE sector to ensure resolution and avoid reputational and other potential damage to the University.

Importantly we must now engage suppliers as part of the regular review process to work with us on ensuring the overall supply chain remains compliant and that mechanisms exist and are owned by those suppliers to identify and address issues arising.

Throughout this process we will engage regularly with the SRS team to build intelligence from supplier discussions and insight they provide to us. This will also ensure that evolving requirements around sustainability are understood in real time and that mechanisms to deal with these are reviewed and integrated to existing documentation and supplier activities, through a formal change process.

By combining supplier insight from the regular forums, with that of SRS we will ensure a more strategic approach of putting sustainability measures into practice whilst ensuring a constant forward looking view.



## 6. Supplier Performance & Continuous Improvement

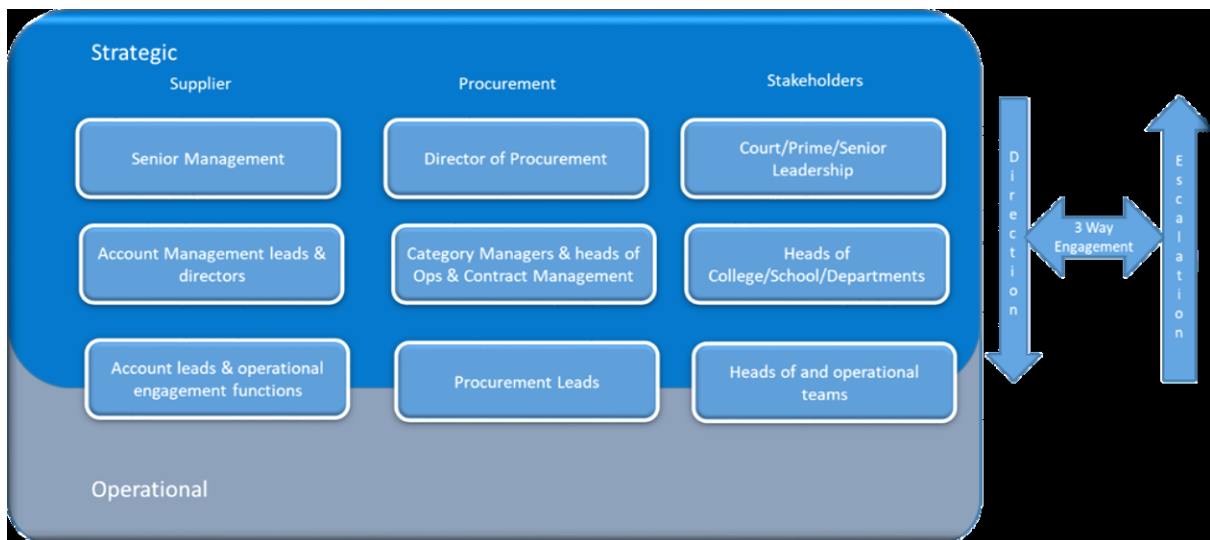
For our major suppliers (determined by criticality & spend) a more formal structure will be put in place to drive the right behaviours on both commercial and operational performance. This will be focused on ensuring the accurate requirement scoping through working with key stakeholders against which service levels will be aligned.

The performance against these service levels and other contractual obligations will be reviewed on an agreed frequency at the contract reviews to assure compliance, identify and address issues, as well as formulating trending and root cause analysis.

This data gathered and assessed will not only be used to measure performance but to identify where systemic issues exist. This will be used to drive continuous improvement initiatives with the suppliers. It will also form the basis of not just supplier review but to better define delivery models when it comes to renewals.

To assure the approach and bring continuous improvement, the contract management team will undertake regular reviews using a controls sheet to confirm that key areas are being discussed and actioned by both the University and suppliers to deliver expected outcomes.

This will form a three tier engagement model for major suppliers:



To supplement this and ensure a more consistent and repeatable approach, we will throughout 2021 be building a library of beneficial contract clauses and service levels, which can be universally applied across all categories as well as developing category specific detail.

This will also enable improved ways of working with our suppliers and internal stakeholders and will go some way to more standardisation which creates awareness, help performance measure and analysis and reduces administration costs through re-use principles.



This approach will create the basis for future and ongoing analysis of key suppliers, their performance and value for money delivery.

## 7. Governance

A number of assurance procedures have been improved over 2021 with the aim of further building on these to enable improved tracking of both commercial and operational performance. People & Money will also help drive the correct use of systems and process, governance around this will ensure that we continue to exercise the correct principles and ensure effectiveness across the end-to-end supply chains.

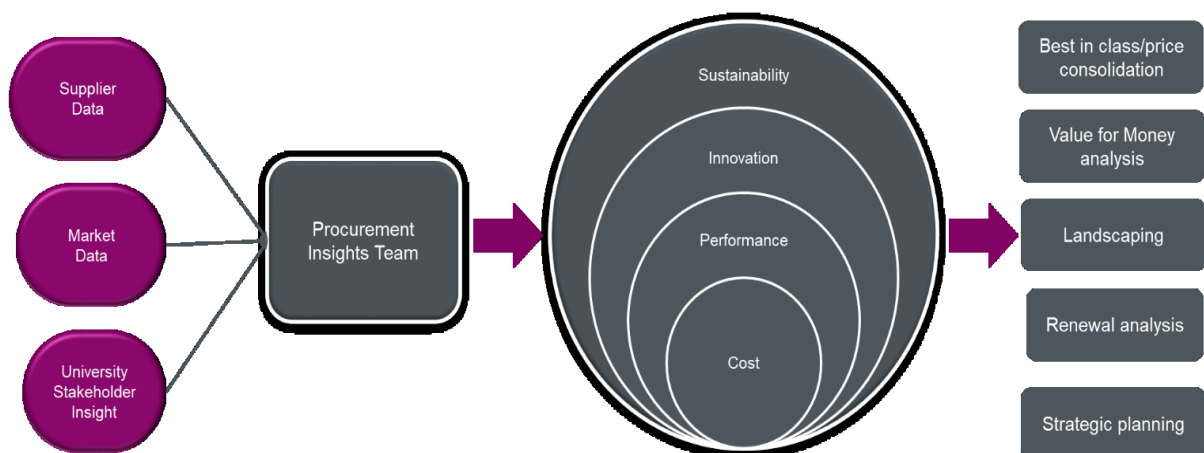
The following outlines the key activities to bring central control and assurance to the supplier environment.

- Value for money tracking
- Non procurement influenced analysis
- Contract assurance reviews
- Contract control checks
- Central risk register reviews and updates
- Monthly Supplier Forums

## 8. Innovation & Continuous Improvement

We have a large number of suppliers who are expert in their field and have valuable market insight to new developments, trends and common issues. We aim to tap into this to further our understanding of key areas and the dynamics within those to help formulate strategy and of course remain competitive in the wider HE sector.

Where we have worked with suppliers in such a way we have gained insight which has helped in tendering but also recognised immediate benefits through allowing the suppliers to actively discuss where they believe we can do things better and learn from their own valuable insights and the wider market.





The innovation discussions will be part of a regular supplier engagement. However we will also be formalising a focus on building a supplier intelligence portal. This will not only enable a strategic view but give us up-to date assessment on market dynamics including benchmarking analysis.

## 9. Consortia & External relations

As we move forward, it's imperative that the appropriate and most effective partnerships are in place to enable our objectives. During 19/20 c£33m or 16% of the Procurement Influenced spend is facilitated via APUC endorsed frameworks. This is down from £72.4m from 2018/19.

Whilst this is of some benefit, we are working with APUC and other Heads of Procurement to refocus their tendering outputs to more closely match our needs. It should be noted whilst frameworks offer a compliant route to market, they will only be used if they meet our requirements. To increase our ability to use frameworks we also joined, as an associate member, Scotland Exel

As we move forward in our strategic contracting we will also be assessing the best routes to use. This may mean more University frameworks and contracts which will be better defined and controlled to manage expectation and supplier delivery.

This will also encourage greater diligence and contact with suppliers directly, rather than through a consortia arrangement which is not resourced to deal with in-life contract management issues arising. We will of course encourage greater interworking across the HE sector by way of knowledge sharing and lessons learned.

In addition the procurement management team and staff, are members of both sectorial and Government groups so we have the ideal opportunity to influence direction at the right influence points.

The University is a global institution and our ultimate aim is to move to becoming a renowned world class procurement function, we will do this by carrying out the aims and objectives of this strategy and engaging partners in the UK and beyond, to continuously improve and share our experiences.