



THE UNIVERSITY *of* EDINBURGH
Finance

The University of Edinburgh

Annual Procurement Report

(1 January 2017 to 31 July 2018)





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Executive Summary

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 locally and globally.

University of Edinburgh Procurement Strategy 2017

The University of Edinburgh has published a [University Procurement Strategy](#) for each year and these are approved by the governing body (the Court) and reviewed by the University Executive through its Procurement Risk Management Executives, including relevant subsidiary company members. The University's procurement strategy was the outcome of consultation and discussion with internal and external stakeholders, who have an interest in our approach to procurement and its impact for society. Stakeholder engagement will feature in the annual assessments of the achievement of regulatory compliance, on strategic objectives of the University, in value for money (defined as the best balance of cost, quality and sustainability).

This process of review and reporting will inform any adjustments to the procurement strategy deemed necessary to secure future performance improvements and to respond to any economic, political and financial influences to which the University may need to adjust to meet its broader aims and objectives on impact for society described in the [University Strategic Plan](#).

Key achievements: Our procurement strategy delivered in 2017/18

- Value for Money efficiencies of ~ £14.25million (ahead of target £10million) procurement teams directly influenced £297million of goods, services and capital works.
- Influence ~84% of procurement activity with procurement specialists, the remainder is locally managed within a core commercial policy process.

The University has introduced a community benefits policy, is a Living Wage employer, and has been shortlisted in external awards for Finance and Procurement performance.

The Joint Directors of Procurement (Karen Bowman and George Sked) are responsible for the production of the procurement strategy and this annual report.

The Accountable Officer for the University of Edinburgh is the Principal and Vice Chancellor Professor Peter Mathieson¹.

¹ Professor Mathieson took over as Principal & Vice Chancellor from Professor Sir Timothy O'Shea in February 2018



Statutory Annual Procurement Report (APR)

The Procurement Reform (Scotland) Act 2014 (PRA) requires any publicly funded organisation with an estimated annual regulated² spend of £5million or more to develop a procurement strategy and then to review it annually. This requirement took effect from 31 December 2016.

Organisations (including universities and colleges) which were legally required to develop and to publish a procurement strategy in 2016 are also required to publish an Annual Procurement Report (APR), reflecting on the relevant reporting period against the procurement strategy³.

This is the first report of this kind and due to the financial years of our sector this first report covers two periods and for ease the terms Year 1 and Year 2 are used:

- Year 1 = 1 January to 31 July 2017 (seven months⁴ of 2016/17 financial year)
- Year 2 = financial year to 31 July 2018 (2017/18 financial year)

University Procurement Strategy Compliance

The objectives of the [procurement strategy](#) contributing to the University aims are being met:

Objectives	Targets met
finance transformation project service excellence	achieved
financial controls (Finance & projects)	achieved
improved finance services for users and providers in 'procure to pay' - simplified or routine transactions using eProcurement tools - inviting bids via eCommerce tools (digital first)	*partial achieved achieved
improved estates capital and services procurement using a common protocol	achieved
support major IS projects including contributions to Core Systems strategy	achieved
support improvement in supply chain sustainability and social responsibility	achieved
increased use of contracts and staff awareness of procurement information and shared benefits	achieved ~partial

* Procurement Risk Management Executives agreed that we are not yet joined up across all the steps from planning to end-of-life/re-use, and will remain so pending a new Core University system (being procured re HR, Finance, Procurement, Students).

~ % of spend under the influence of procurement specialists remains the same (84%) but value increased year on year growth.

This strategy is reviewed annually by our Procurement Risk Management Executives (for the budget holder community), development areas are agreed in the University Strategic planning.

² 'Regulated' procurements are those with an estimated value equal to or greater than £50,000 (over a four-year contract period excluding VAT) for goods & services (or £2,000,000 excluding VAT) for a public works contract.

³ <https://www.ed.ac.uk/procurement/policies-procedures/university-procurement-strategy-annual-procurement>

⁴ for ease of comparison the annual totals are used in some tables



Regulated Procurement Expenditure

The University of Edinburgh has an annual non-pay spend with trade creditors of circa £300million (excluding VAT), approximately 84% of which is directly influenced by procurement specialist services, and other procurement is locally managed under a core commercial policy. During the period(s) covered by this report, regulated procurements awarded by the University of Edinburgh procurement team are summarised in the following tables:

Table 1 - the number of regulated procurements of the four main different types.

Table 2 - the value of regulated procurements completed during the period of the report.

Table 3 - the overall influenceable and non-regulated expenditure and total trader numbers.

Table 4 - the total University spend split across the University's Colleges and Professional Services Groups.

These include EU or lower value regulated procurements and (Mini-tenders) call-off from collaborative contracts and frameworks. The University has been optimising the use of collaborative contracts and frameworks to source suppliers and to offer eProcurement services to users. As well as bringing efficiency savings, the burdens of risk and contract or supplier management are shared with the sector. This in turn reduces the number of resource-intensive formal regulated or EU tenders managed by procurement specialists within the university teams.

£72million of the University spend was routed via collaborative agreements with or without mini-tender call-offs, and this is an increase of £20million from 2016/17.

Table 1: Regulated Procurement
(projects completed)

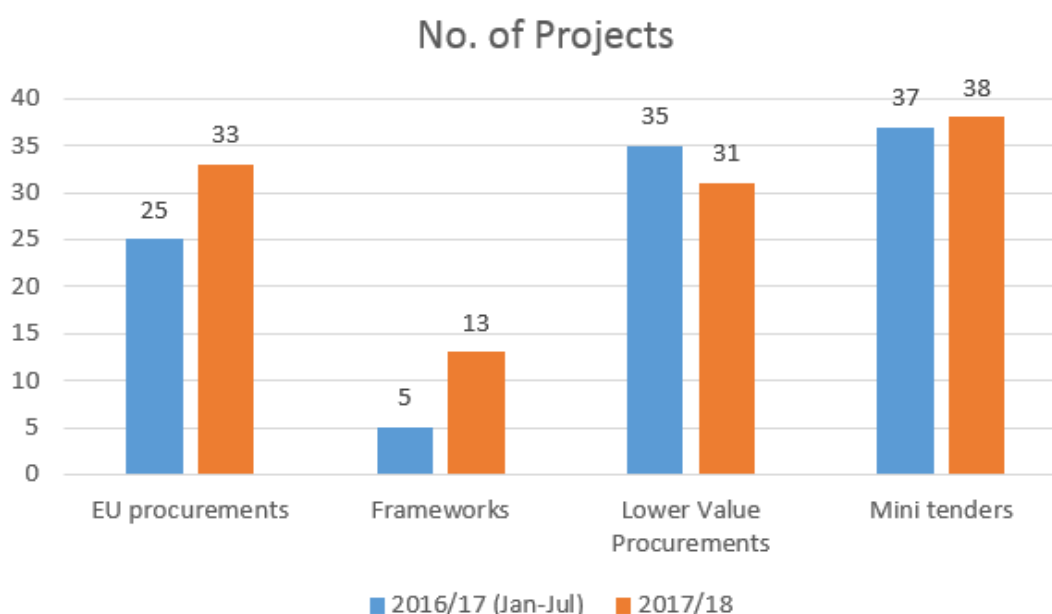




Table 2: Regulated Procurement
(value of projects completed)

	Year 1 2016/17 (January to July 17)	Year 2 2017/18 (full year)
EU regulated procurement (£m)	31.4	108.5
Lower regulated procurements (£m)	6.9	3.9
Mini-tenders from frameworks (£m)	7.5	18
Totals (£m)	45.8	130.4

Table note:

EU Threshold - To 31st December 2017; goods or services £164,176; works £4,104,394

From 1st January 2018; goods or services £181,302; works £4,551,413

Lower regulated threshold - goods and services of £50,000, works of £2million throughout the period of this report.

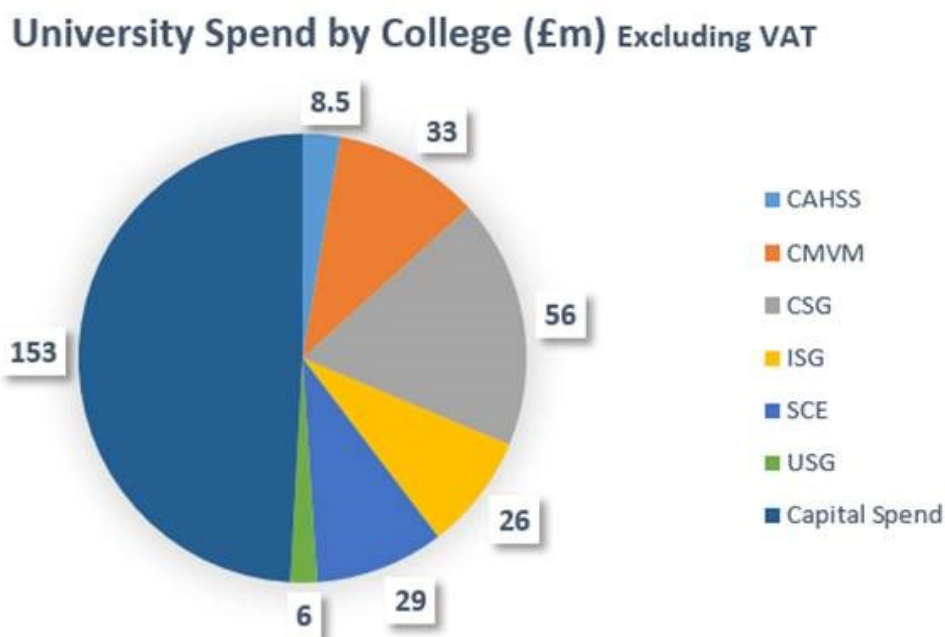
Table 3: Procurement Expenditure

	Year 1 2016/17 (January to July 17)	Year 1 2016/17 (full year)	Year 2 2017/18 (full year)
Procurement expenditure (£m) (‘Influenceable’ spend)	174.8	273.2	312.5
Regulated expenditure (£m) (Procurement Specialist - Influenced)	141.9	231.1	262.4
Non-regulated procurement (£m) (Locally Managed)	32.9	42.1	50.1
Number of Trade Creditors	6,333	6,808	7,390
Percentage of procurement expenditure with SMEs (full year figures only)		46%	47%

Table note: All expenditure figures exclude VAT.



Table 4: Expenditure by College and Support Group



For detailed information on all regulated procurements and category strategies, during the period covered by the report, please refer to Annexes 1 and 2.

Review of Regulated Procurement Compliance

As part of good governance and risk assurance, regulated procurement compliance is reported to University Executive and Audit and Risk Committee and an annual Procurement assurance report is made to the Risk Management Committee.

Procurement activities are regularly reviewed by the Procurement Risk Management Executives, nominated by our six key budget-holders and our subsidiary companies.

The University Procurement Office consults with internal and external stakeholders to identify risks, issues and opportunities for regulated procurements. Our funding bodies and internal and external audits scrutinise procurement legal compliance, use of collaborative contracts, and procurement team support.

No legal actions were taken against University procurement during the periods of this 2018 Annual Procurement Report.



The Risk Management Committee

<https://www.ed.ac.uk/governance-strategic-planning/governance/university-committees/court-committees/risk-management-committee>

University Executive
<https://www.ed.ac.uk/governance-strategic-planning/governance/university-committees/othercommitteesandgroups/university-executive>

University Court's Audit and Risk Committee
<https://www.ed.ac.uk/governance-strategic-planning/governance/university-committees/court-committees/audit-and-risk-committee>

Internal Audit
<https://www.ed.ac.uk/internal-audit>



Community Benefit Summary

The University of Edinburgh has a commitment to [impact for society](#), and we have introduced a '[Community Benefits through Procurement](#)' Policy which was developed in Year 1, and agreed in Year 2. Specific opportunities were supported by procurement advice and pilot findings will be shared in future.

The main deliverables from our community benefit opportunities will include commitments regarding apprenticeships, work experience placements, targeted recruitment (in partnership with the City of Edinburgh Council employability and skills team), student internships, research and innovation, benefits for third sector organisations, and links to funded projects from the emerging Edinburgh City Region Deal in digital innovation theme and agreed priority strategies.

Case Study – Community benefits through procurement

The University of Edinburgh's most exciting community benefit innovation has been a Procurement Office collaboration with the Edinburgh Centre for Carbon Innovation (ECCI) started in March 2018 that led to a £50,000 award from EU's Climate Knowledge and Innovation Communities programme.

ECCI and Zero Waste Scotland will support our construction suppliers to develop business cases around Data Driven Innovation-led decarbonisation and circular economy. We believe this pilot will encourage better supplier relationships and therefore embed mutually beneficial sustainability in the built environment as a community benefit.

For more information see our web pages on [Community Benefits and Fair Working Practices](#).

Supported Business Summary

The University of Edinburgh was one of the country's first 'Fairtrade' Universities and we have been pro-active in encouraging the use of supported business.

In areas where we know there is a supported business available, such as from the Scottish Procurement framework, we will alert clients to that option for due consideration, this is routinely part of contract strategy reviews year on year.

An example is [Haven Document Services](#) (formerly Redrock), a supported business in Falkirk, which specialises in document scanning and storage. Haven Document Services aims to provide sustainable employment for disabled people, who are supported by the company to train and progress in their careers, within the company, and by moving on to open employment where that is their goal. Following the University's Procurement Strategy, Haven Document Services were awarded a contract to scan HR files for the Service Excellence HR file digitisation project for an opportunity to work towards equality and diversity in the University's supply chains.



'The engagement of Haven Document Services has proven to be a win-win situation for both themselves and the University's file digitisation project. Haven Document Services not only have the required accreditation for the sector, but they have obtained this in advance of many international organisations and so they are able to offer the required confidence levels of a professional organisation very experienced in dealing in sensitive files. The full spectrum of quality of service given by Haven Document Services has meant that they have very quickly become a valued partner.'

Linda Robertson, for the University of Edinburgh HR Transformation

We were given a Fair Trade level 2 award in 2017-18 by the National Union of Students for our ethical buying, one of two who met this standard in UK higher education. We are working towards the top level 3, making progress on the main deliverables for this award in the areas of:

- Reduction in waste - packaging and/or further use of residue from processes etc.
- Reduction in consumption - use of raw materials (consumables, utilities etc.)
- Recycling and/or reuse of products
- Enhanced Reputation and/or marketing opportunities
- Community Benefits delivery
- Carbon Reduction or Social, equality and/or environmental improvements

We also have been recognised as a Living Wage employer by the **Living Wage Foundation**



For more information on our Sustainable Procurement see the Additional Progress Reports.



Future Regulated Procurements Summary

We are presenting in Annex 3, projects for the next two financial years - 2018/19 and 2019/20 which are based on anticipated plans. As a result, we can only project future regulated procurements where there is sufficient certainty, and this is therefore subject to change.

For new procurement opportunities at the University see our entries in the Public Contracts Scotland (PCS) portal or for live contracts see our contracts register, at the links below:

- [Public Contracts Scotland portal – University of Edinburgh](#)
- [University of Edinburgh Contracts Register](#)

See Annex 3 for our possible procurement activities (as at 1 November 2018).

Value for Money Summary

The University of Edinburgh was the first University to have a Director of Procurement and it invests in specific university-wide Procurement Office (Finance Department) led initiatives, which resulted in Value for Money (VfM) efficiencies of approximately £14.25million during 2017-18, mainly from the higher value competitive tenders.

Other savings are achieved through access to collaborative contracts with APUC, other institutions and sectors.

VfM is calculated on the Scottish Government and Higher Education Procurement standards for consistency of approach.

Case Study – Enterprise Portfolio Management Solutions

Project was to procure a system to support the Project and Programme Management of the Universities Estates Development £1.2bn capital plan over the next 10 years.

- *To adopt a programme approach to capital planning and scenario analysis, ensuring that the right decisions are made at the right time.*
- *Providing Estates Senior Management with verified Management Information to allow greater transparency.*

The solution will deliver Management benefits which will deliver value for money to projects:

Programme - Standardise approach to programmes (timelines). Review & record changes.

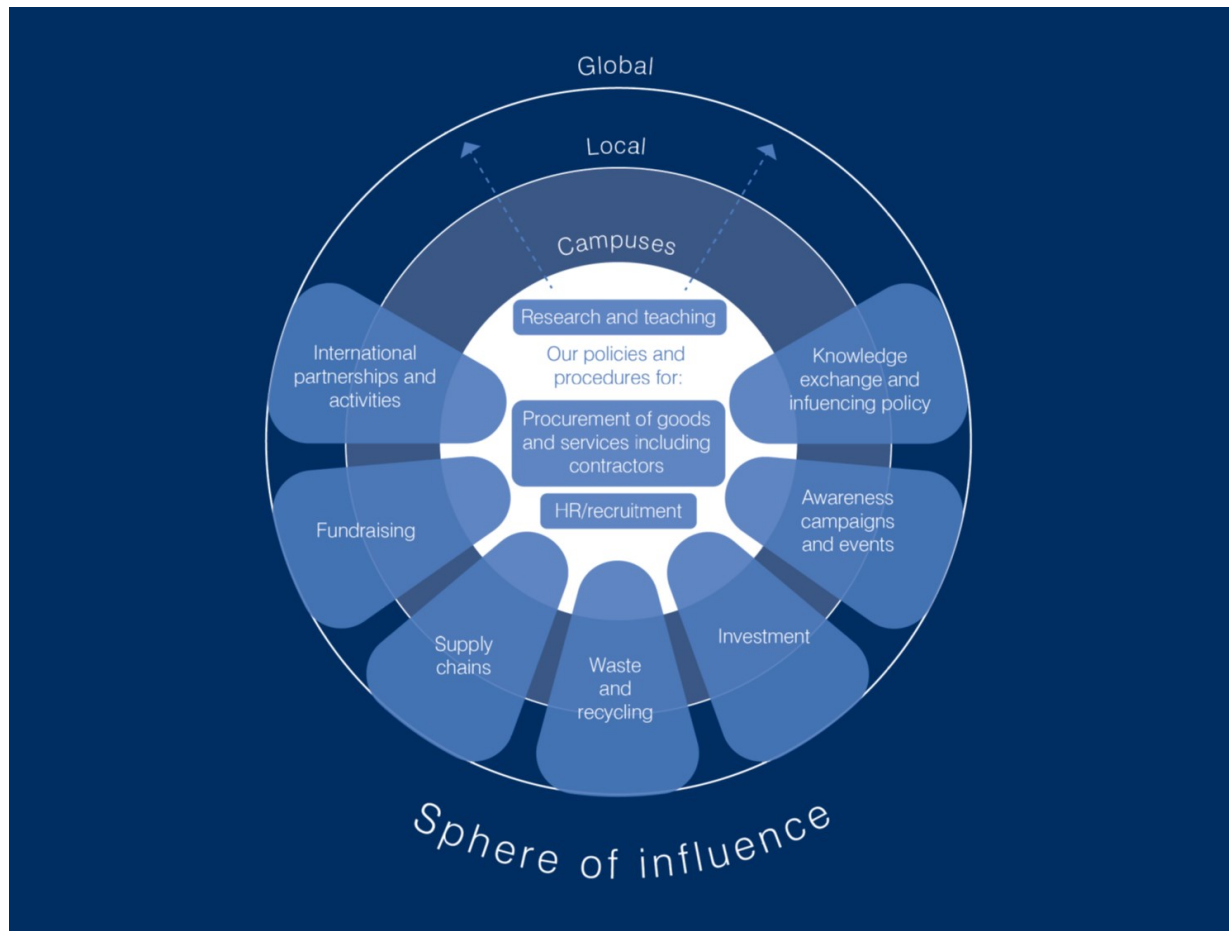
Cost - Integrating forecast & actual costs, compare to budget. Cost & time link; forecast by stages.

Portfolio - Ability to model scenarios (time & cost) for all projects and provide portfolio level reporting.

Process - During the competitive procurement process benefits of £242k were also achieved.



Additional Progress Reports: Sustainability Duty Report



The University Procurement Office in the Finance Department, influences 84% of procurement influenceable expenditure, and established the methodology for Sustainable Procurement Prioritisation Tools with the Scottish Government. Category team leaders were supported by specialist colleagues from our Social Responsibility and Sustainability (SRS) Department to include key Sustainability Tests and develop priority for procurement strategies or University contracts, which are pertinent to the market and consider the key risks/issues & opportunities. SRS team reviews progress on this quarterly.

Higher risk Sustainability or Climate Change impacts are subject to review by a multi stakeholder group on an agreed sustainable action plan (Sustainability Operations Advisory Group [SOAG](#)). Major policy changes e.g. the introduction of the [Modern Slavery Act](#), Criminal Finances Act or the formal policy for 'Community Benefits through Procurement' are approved and monitored by a senior stakeholder group, the [SRS Committee](#). Specialist resources from the SRS department and Procurement teams, plan events and support initiatives with staff and students engagement. In the 2017/18 financial year, communications and social audit staff were appointed to develop external and internal engagement and consultation across the supply chains.



We have contributed to and adopted the Advanced Procurement for Universities and Colleges (APUC) Supply Chain Sustainability Policy which promotes the Ten Principles of the UN Global Compact. In asking relevant suppliers to adopt the APUC Supply Chain Code of Conduct we collaborate with others to demonstrate a commitment not to use forced, involuntary or underage labour. We have published our [Modern Slavery Statement](#) and monitor its impact.

In 2018, initiatives to help people who are experiencing homelessness, to enhance digital skills amongst community groups and to back social enterprises are included in the University's latest commitment to local communities. The aims have been set out in the University's renewal of the nationwide [Social Impact Pledge](#), a government initiative that encourages organisations to deliver projects of public benefit.



Overall assessment on sustainable procurement: we have improved our sustainability awareness and performance against the Flexible Framework model and are looking towards clearly embedding all the Sustainable Development Goals.

Benchmarking

The Joint Directors of Procurement take the opportunities to monitor best practice across similar organisations in public and private sector and some examples of benchmarks are:

The University of Edinburgh procurement is independently assessed against a common Procurement and Commercial Improvement Programme ([PCIP](#)) at two or three year intervals with the next report due in 2018/19; at the assessment in 2015/16 we were in the sector top three.

Contract Management Benchmark (CMB with the Royal Bank of Scotland) annual participation helps us to compare with industry and public sector participants and to monitor best practices. The University continues to perform at an above average rating, in this study. The University aims for the upper quartile of performance for managing its contracts on an external benchmark.



Through the Service Excellence Programme, colleagues agreed that further enhancements are required and changing how we manage contracts will commence when the Finance Transformation Service Excellence Programme advances on to the next implementation phase.

Service Excellence Programme

The University of Edinburgh has embarked on an ambitious [Service Excellence Programme](#) across selected professional services and this includes the acquisition, through competitive dialogue, of a new Core System (software as a service) to cover human resources, payroll, finance and procurement.

There is an integral Finance Transformation Programme running to improve the experience of users of our services and to develop future target operating models to:

- Improve services for the users whether students, professional staff or academics.
- Create greater efficiency and effectiveness by removing duplication and redeploying resource, where appropriate.
- Use an evidence based approach to drive process improvements and simplification while allowing for flexibility where agreed, as appropriate.
- Improve data quality & consistency to enhance evidence based decision making.

The University Procurement Strategy and Annual Procurement Reports will be enhanced by this development over coming years, and the Procurement Office, Finance Department is actively engaged in leadership and in workshops on process, people and the business case for change.

Developing Programmes and Services

The University of Edinburgh procurement teams also actively participate or lead in higher and further education (or Scottish public sector) procurement strategies and policy work. We were shortlisted for three external awards in recognition of our innovations and won one of these:

- UK GO Awards 2017 – Procurement Innovation or Initiative of the Year
- Public Finance Innovation Awards 2017 – Digitisation in Finance Initiative
- Winner Scottish GO Awards 2018 – Social & Community Benefits in Procurement

We achieved the [Investors in People](#) Silver standard and agreed new team Values with Finance. We have 23 professional procurement staff of whom 16 are fully qualified, and staff are encouraged to complete formal education and continuous professional development, including to self-assess on the [CIPS Ethical code](#) to evidence probity and understanding of supply chain risk and social impact issues. New staff are encouraged to develop skills and competencies and to progress their career.

We are grateful for the contributions from Advanced Procurement for Universities and Colleges Ltd ([APUC](#)), our sector centre, and the UK-wide Higher Education Procurement Association ([HEPA](#)), for working with us to develop tools and training materials for eLearning, and as professional networks for our staff.



George Sked, Joint Director of Procurement, represents Scotland on the HEPA Management Board.

The University also appreciates small contributions to individual training costs from a specific sector charity [HPDF](#) (SCO43317), which has enabled some of our staff to enhance their knowledge/skills.

We are pleased to have been able to host a Career Ready student, employ a procurement Modern Apprentice and graduate trainees, and offer shared staff placements in the Year of Young People to contribute to opportunities for Scotland's Procurement People of Tomorrow.

Feedback on this report is welcome, please address this to procurement.director@ed.ac.uk.

This publication can be made available in alternative formats on request.

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Annex 1

Regulated procurement activities (1 January 2017 – 31 July 2018)

Year 1 - Please download the pdf file at <https://bit.ly/2qiCWAh>

Year 2 - Please download the pdf file at <https://bit.ly/2ESQmwM>



Annex 2

Category Strategies 2018

Estates	2018	Category Strategy
Professional and Campus Services	2018	Category Strategy
Laboratories and Medical	2018	Category Strategy
Information Services	2018	(to follow)



Annex 3

Forward procurement activities (anticipated 1 August 2018 - 31 July 2020)

Please download the pdf file at <https://bit.ly/2JvnFot>