



## TRANSFORMING OUR PROCUREMENT AND PURCHASING TO SECURE GREATER VALUE FROM OUR SPEND

The Service Leadership Team for this review is made up of **Phil Harding** (Director of Finance), **John Feraday** (Director of Procurement), and **Daniel Sinclair** (IOE Pro-Director Operations).

For this design work, Procurement and Purchasing have been dealt with separately to the Finance Services design. However, they are interlinked services that will remain under the heading of Finance Services.

**Every year, UCL spends over £173M across its non-research procurement activity and significant amounts on its research spend. It is imperative that we get best value from this spend and better costing, so more can be reinvested directly into our academic mission. To do this, the integration of Procurement and Purchasing service needs to be closer and each of the services need to fundamentally change in order to deliver a modern service that will enable UCL to achieve substantial financial savings.**

### 1. We have heard from a large number of colleagues regarding the issues they are facing. These include:

- Too many suppliers being used across UCL (24,000+ with 5,000 added in the last year) meaning we are not achieving the best value for money. Reducing the number of suppliers will enable us to negotiate lower prices as we will be able to guarantee greater volumes, improve contract management, generate better service levels and increased process efficiencies by reducing administration
- Significant barriers to smarter purchasing, as we are not able to use our data effectively to drive better decision making
- Procurement and Purchasing processes are not always clearly defined or supported in all circumstances and need improving where appropriate
- There is a limited culture of institutional cost saving when purchasing goods and services, coupled with a lack of the enforcement of the rules
- Training on iProcurement and some processes is substandard, and does not provide end users with the required skills and knowledge
- Those who provide funds to UCL (Government, SLC, Research Councils etc.), expect us to secure best value for money.

### 2. Overview of the principles and emerging ideas

The key principles and emerging ideas are:

#### **Procurement**

- Procurement services delivered by central professional services managed staff who provide strategic direction to UCL on all procurement to pay activities
- Our people remain specialist. They could offer professional advice and support to our stakeholders to ensure that we are buying better
- We could mandate the use of preferred suppliers for certain category types

- Some transactional, simple Procurement processes that are repeated time and again across UCL could be brought together. There is an opportunity to support one another, better manage peaks and troughs and deliver these processes through a new service model

## Purchasing

- More control could be asserted by Finance staff over what is purchased and who it is purchased from via the new supplier request process, in accordance with UCL Policy. This means that when a new supplier request is raised a finance officer/administrator would check that request against existing suppliers, and refer it back to the person who raised this if it does not meet UCL policy. If a supplier is already on the system the purchase would continue as normal. This process includes research spending (once the review has taken place) to ensure we are controlling our spending across the board
- Purchasing services delivered by central professional services managed staff; Finance staff could be line managed by central professional services with joint appraisals and recruitment taking place with faculties for those roles that are faculty/dept. –based roles
- Requisitioning and receipting of goods/services, would remain at a local level
- Departmental money would continue to be controlled by departments in accordance with UCL policy
- Our people could be more specialist. They could offer professional advice and support to our stakeholders to ensure that we are buying better
- Purchasing services could be delivered through a new service model
- Greater self-service for a variety of purchasing related activity, freeing up staff time
- Faculties and central professional services could work in partnership to allocate resources and measure performance

## 3. What could potentially change?

In practice, the emerging ideas could mean:

### Procurement

- **Staff aligned to our needs:** we could create Procurement Business Partners positions. They could deliver specialised knowledge to faculties to plan and facilitate their future procurement activity, so that they can obtain best value for money. They could also act as an escalation route for Finance staff, and support the procurement process for new suppliers over a defined value. They could also act as the named point of contacts for academics and others, that would work with the central Procurement team, to resolve any issues
- **Better buying:** We could seek out and recommend, to Procurement Services, the appointment of preferred suppliers on contracts or framework agreements as appropriate. This will be assisted by the use of better data, supported by end users experiences.
- **Money for systems:** Substantial investment in a new suppliers management system would be required, to assist with holding our suppliers to account
- We could create a user friendly MyFinance system and associated systems that is intuitive and supports greater self-service for the following processes:
  - MI and Data including supplier performance
  - New supplier requests
  - Procurement reports
  - Procurement queries/guidance.
- We could review the way equipment is currently shared across UCL, with the aim of ensuring we are making the most of our current equipment, enabling us to save public money
- **Make basic tasks easy:** transactional, simple processes that are repeated time and again across UCL could be brought together. There is an opportunity to support one another, better manage peaks and troughs and deliver these processes through a new service model. This would accelerate and facilitate consistency and harmonisation and offer significant improvement opportunities for transactional services to make them work more efficiently and effectively repeatable. These processes could include:
  - Spend category mapping (insights into purchasing behaviour)

- We could conduct a separate research spending review that focuses on yielding significant savings and better costings, as well as potential technical staff saving. The exact scope, benefits, timescales will be reviewed at a later date.

## Purchasing

- There could be changes to the way everyone buys at UCL:
  - Low value transactions - purchasing cards made available to purchase items that are not available from the catalogue, reducing administrative costs, and freeing up buyers' time as a result of not having to raise new supplier requests. This would only apply to ad hoc or one-off low spend requirements. Any regular spend would warrant a contract or framework being put in place by Procurement Services. We could set up a robust policy to regulate and monitor any abuse of the process
  - All other transactions - Finance Officers/Administrators, could be responsible for monitoring and enforcing the agreed purchasing policies and processes. This model is similar to the stores models that currently exists in some departments.
- **Great careers:** Finance Officers/Administrators could be supported with comprehensive training and a Communities of Practice, which would bring together staff working in shared professional areas to share best practice, develop the practice area and establish career pathways. (The head of Communities of Practice is to work with practice area steering group in order to define/sign off specific communities needed to support the practice area). Finance Officers/Administrators would continue to do more than Purchasing as part of their roles
- **Staff aligned to our needs:** Finance Officers/Administrators, who have finance as a predominant part of their role could, in the future, be managed by central Financial Services. We could change this line management to enable us to provide better career pathways for staff and a more effective financial service to faculties to help them manage their budgets. Specifically, centrally managed finance colleagues could influence strategy and support financial outcomes, collaborate with management to support delivery, safeguard scarce resources, ensure best practice and knowledge is shared across UCL, ensure good governance and compliant accounting, and provide financial operations and expertise to deliver on our financial targets. School finance teams would line manage finance staff who are based in depts./faculties. Staff who have a very limited amount of financial activity as part of their role would not be managed by the centre
- These dedicated finance professionals would continue to be embedded in faculties/depts. to provide day to day support, whilst operational activity would continue to be directed by faculties/depts.
- **Better buying:** we could reduce the amount of suppliers we currently use, whilst extending mandating of preferred suppliers for relevant categories. This would restrict the range of products staff are able to purchase from certain suppliers
- **Make basic tasks easy:** transactional, simple processes that are repeated time and again across UCL could be brought together. There is an opportunity to support one another, better manage peaks and troughs and deliver these processes through a new service model. This would accelerate and facilitate consistency and harmonisation and offer significant improvement opportunities for transactional services to make them work more efficiently and effectively repeatable. These processes could include:
  - Purchase to Pay (Invoice, Accounts Payable etc.)
  - Supplier management (queries)
- **Help me to help myself through self-service:** we could create a user friendly MyFinance system and associated systems that is intuitive and supports greater self-service for the following processes:
  - Purchasing cards (with approval limits)
  - MI and Data including supplier performance
  - New supplier requests
  - Purchasing reports
  - Requisition creation
  - Purchasing queries/guidance.
- This could be coupled with comprehensive training to ensure new recruits and existing staff (including budget holders and signatories) are supported and empowered to use the system effectively
- We could reinforce the message that staff have an ethical responsibility when spending public money, through an education and training programme

## 4. What would not change?

There are a number of areas which are not covered by the emerging ideas and would not change. Although not exhaustive, these include:

- Procurement Services will still be responsible for category management, supplier development, complex tendering requirements and the setting of overall UCL procurement strategy
  - Finance Officer/Administrator will still have responsibility for the operational activities related to purchasing
  - UCL stores, as they are a key way of managing costs of goods and services, deliveries and disposals for appropriate departments
  - The iProcurement system (MyFinance) that creates, manages, and tracks orders.
- 

## 5. The potential benefits and investments we could make

It is estimated that there would be substantial savings year on year, which could start from 2020 onwards from procurement related reforms (once all the TOPS changes have been implemented). This could be made up of **savings** from reductions in purchasing costs and **efficiency savings** related to specific procurement reforms. In order to realise these benefits, we would also need to make investments which are included in the table below:

| Potential reduction in purchasing costs   | Efficiency gains  | Costs   |
|---|---|---|
| The potential reduction in purchasing costs includes: <ul style="list-style-type: none"><li>• Non-contract staff and agency</li><li>• Greater application of sustainability in a procurement context</li><li>• Maximise benefits from UCL being outside public procurement</li><li>• Mandate the use of preferred suppliers</li></ul> | The efficiency gains include: <ul style="list-style-type: none"><li>• Greater use of electronic invoice payments</li><li>• Increased use of purchasing cards</li><li>• It should be noted cashable savings on electronic invoicing and purchasing cards are only cashable if they result in a reduction in posts.</li></ul> | <ul style="list-style-type: none"><li>• IT investment</li></ul> |

In the November 2017 version of the business case, the procurement savings estimate will be updated (and revised downwards) to make an adjustment for research related expenditure that was previously included within the total cashable savings. While procurement savings on research spend will still be targeted, they cannot be treated as cashable due to the ring fenced nature of the spending.

---

## 6. What are the outstanding questions we would welcome feedback on?

1. What other options are there for delivering purchasing services in depts?
  2. Do we want purchasing cards to be used to purchase from existing preferred suppliers, or do we want ad hoc purchases of a defined low value to be included as well? What level should “low value transactions” be set at?
  3. How will the assignment of purchasing cards work in practice, how do we ensure effective auditing takes place?
  4. What are the views on establishing a new role of Procurement Business Partners?
- 

Disclaimer:

These documents contain emerging ideas for how UCL professional services could be delivered in a more effective way in the future. At present, no formal change proposals are being put forward by UCL and so engagement remains at an informal stage. Where a preferred option is mentioned, this pertains to PA Consulting recommendations and does not constitute a formal proposal for change by UCL.