



UNIVERSITY OF
LINCOLN

Procurement Strategy
2017-2022

Procurement Strategy 2017 - 2022

1 Introduction

- 1.1 This Procurement Strategy has been prepared to set out the direction of the University's procurement activities following the publication of the Strategic Plan 2016-2021.
- 1.2 Procurement can be defined as "*the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfil its strategic objectives*"¹. Alternative terms such as sourcing, purchasing or buying can be considered as interchangeable with procurement in the context of this strategy.
- 1.3 The purpose of this Procurement Strategy is to obtain institutional agreement on how we will conduct procurement at the University in the next five years and to ensure alignment with the Strategic Plan.
- 1.4 It is anticipated that the timing of any future Procurement Strategy will be consistent with the schedule for updating the University's Strategic Plan. However, Brexit has the potential to significantly alter public procurement law. Therefore, this strategy may require updating earlier if Brexit related issues or opportunities warrant a significant change in direction.

2 Context

- 2.1 The University typically spends around £40m to £60m per annum with external suppliers on a diverse range of goods, services and works. This includes buying everything from office stationery to new building construction. Each financial year we use over 1,500 different suppliers ranging from locally based micro businesses to global multi-national corporations.
- 2.2 Many of our staff are directly involved, and have an interest, in the procurement decisions of the University. Some of these decisions are straight forward whereas others involve complex issues, choices and trade-offs. The University employs a small professional Procurement Team, as part of the Finance department, to take the strategic lead on procurement and to provide support and direction in this area.
- 2.3 The University's procurement processes seek to secure optimal value, in both financial and non-financial terms, from our suppliers. We aim to approach procurement in a way that promotes value for money, operates within the applicable legal framework, is undertaken with high standards of ethics and probity and creates student opportunities.

3 Where are we now

- 3.1 Extensive efforts have been made to improve the University's procurement capabilities over the last few years. In 2015 our procurement processes were independently assessed using the HE sector's Procurement Maturity Assessment (PMA) model. The University ranked 21st out of the 61 universities who we were assessed against. Since then, self-assessment against the PMA model evidences that our maturity level has further increased. However, there is more to do and we aim to improve again during the period of this strategy.
- 3.2 The Procurement Team's activities are primarily directed towards planning and executing the procurement of high value contracts (above £50k excluding VAT). For lower value purchases, governance and supporting procedures have been put in place to facilitate a self-service approach for staff. This approach allows the maximum benefit to be derived from the Procurement Team and ensures sufficient attention is given to those contracts which are of the greatest value and risk or opportunity.
- 3.3 A series of incremental improvements have been made to how we go about the procurement of our high value contracts. With a thorough suite of tools and templates now in place to

¹ Chartered Institute of Procurement and Supply – "The Definitions of 'Procurement' and 'Supply Chain Management'" publication 2013.

underpin the process, we are able to conduct robust and rigorous procurement exercises. Added value for students is also at the forefront of our thinking and this is embedded by making it a contractual obligation in appropriate contracts.

- 3.4 However, there are some areas of our procurement activity which we can improve further during the life of this strategy. Contract management is one of these areas and we intend to develop tools which will assist our staff with managing suppliers once contracts have been awarded. We can also continue to review our use of procurement technology and explore how new developments in this field may be able to help continue our progress.

4 Where are we going

- 4.1 This new strategy does not involve a change in direction for procurement at the University. Instead, we will consolidate the progress of recent years whilst making further enhancements and continuous improvements to our approach. During the period of this strategy, our practices will continue evolving to meet the needs of the University. The feedback and constructive challenge of colleagues will help to ensure that we continue to develop.
- 4.2 Fundamentally, we will use practices that help us to appoint competent and capable suppliers who can provide us with the external resources that we require whilst, at the same time, making prudent use of our finances. Our procedures will seek to balance operational efficiency (i.e. timely access to external resources) with rigorous procurement that stands up to scrutiny and management oversight. Furthermore, we will continue using procurement to support the student experience by involving students in decisions which directly impact them and by creating supplier-led careers and employability opportunities from which they can benefit.
- 4.3 We will need to be responsive to changes in our external environment. Brexit has created uncertainty as to how HE sector procurement will be regulated in the future (potential changes will be from 2019 onwards). If and when legislative changes do occur we will seek to take advantage of them and revise our strategy and procedures where necessary.
- 4.4 The Procurement Team will keep up to date with the latest thinking and developments in its profession through bodies such as the Chartered Institute of Procurement & Supply and the Higher Education Procurement Academy. By continuing to look across the profession, we will maintain a high performing procurement service and introduce (appropriate) new practices and innovations where these would be to the advantage of the University.

5 Structure of this strategy

- 5.1 The remainder of this strategy comprises nine separate (but interlinked) themes which are all important to maximising the benefit from our procurement spend whilst also meeting regulatory requirements and achieving good governance. These themes are:
- **Theme 1 - Organisation and structure**
 - **Theme 2 – Regulatory context**
 - **Theme 3 – Value for money**
 - **Theme 4 – Strategic alignment**
 - **Theme 5 – Procurement systems and processes**
 - **Theme 6 – Collaboration and coordination**
 - **Theme 7 – Supply side approach**
 - **Theme 8 – Risk management**
 - **Theme 9 – Reviewing performance and reporting**
- 5.2 In the interests of making this strategy readable for non-procurement specialists, this strategy mixes the explanation of terminology and concepts with how we will approach these matters.
- 5.3 This strategy's use of the term "contract" or "contracts" should be read as applying to all purchases. A contract exists for any purchase that the University makes from a supplier, although the nature and format of the contract changes according to the type of purchase. For

low value one-off purchases, the contract may only be a purchase order; for high value purchases the contract can be a complex pack of documents developed specifically for that purchase.

6 Action plan

- 6.1 The strategy is supported by an action plan at Annex A which sets out a number of actions that will aid delivery of this strategy and the continued development of our procurement capabilities. The Procurement Team will deliver this action plan (with support and input from other colleagues where applicable).
- 6.2 The actions identified in this plan are not intended to be exhaustive. Instead, this will be a live action plan that will continue to be developed and maintained for the duration of this strategy.

7 Theme 1 – Organisation and structure

Operating model

- 7.1 Different models exist by which procurement operations can be structured. At one extreme, all procurement for an organisation can be centralised so that only staff in the central purchasing team are authorised to buy. The opposite of this is where there is no central team and all procurement is devolved.
- 7.2 In common with many universities, we operate a hybrid structure which is between these two extremes and incorporates elements of both the centralised and devolved models. The involvement of the Procurement Team is determined by the value of the purchase (or series of purchases).
- 7.3 There are no plans to change from using the current hybrid structure. This is, for now, the most effective way of using the Procurement Team's resources and enables Colleges/Professional Service areas to proceed efficiently with their routine purchases. However, a future change in structure is not precluded by this strategy should changing circumstances warrant it.

Role of central team

- 7.4 The fundamental purpose of the central Procurement Team is to facilitate the University with obtaining the external resources it requires to achieve its objectives. In support of this, the Procurement Team will prioritise areas where it can have the most impact and where professional and commercial expertise will be most beneficial.
- 7.5 To this effect, its work will focus on:
- projects of high value and/or risk (or which offer improvement opportunities) ensuring that robust procurement takes place and comprehensive contracts are put in place;
 - planning so there is clear visibility of future activity (the "procurement pipeline") and timely introduction/renewal of contracts;
 - ensuring the University complies with its legal obligations relating to procurement;
 - embedding effective processes which support value for money and appropriate use of competition;
 - maintaining a portfolio of contracts which cover all of the University's major categories of supplier expenditure;
 - helping the University to manage the range of risks which arise when contracting with suppliers; and
 - using procurement to create opportunities for students.

7.6 As the University's needs develop and change these activities will be kept under review and will be adjusted where necessary.

7.7 The Procurement Team will combine its expertise with that of Colleges and Professional Service Areas (requiring contracts for their areas) by means of a project team approach. Procurement activity will be a joint effort and working together in this way on larger contracts will help to ensure that we secure the best possible outcome for the University.

Category management

7.8 Category management is a model which organises procurement staff by assigning them to work on specific categories of external spend. This allows staff to develop category specialisms, helping to create high quality contracts and commercial agreements that address category specific issues. The Procurement Team is structured according to a category management model as this is the best way of using the team's resources.

7.9 Category management goes hand-in-hand with a structured process-based approach. In practical terms, using category management techniques will mean that we will:

- assign Procurement Category Managers to support the University's major categories of external expenditure;
- undertake procurement in a cross functional collaborative manner where budget holders and stakeholders work jointly with the Procurement Team;
- use spend analysis techniques (which provide data on buying patterns) to inform work planning and to identify potential areas of opportunity/action;
- take a planned and proactive approach to the University's portfolio of contracts;
- adopt project management techniques to ensure contracts are awarded in a timely manner; and
- consider different options and assess the best way of procuring and structuring each contract.

7.10 We will deploy category management in a proportionate and flexible way that balances the benefits of using its techniques with the time and resources required to fully utilise them.

External professional advice

7.11 At times, it will be prudent for certain aspects of our procurement activities to be informed by external professional advisors and we will review the need for this on a case-by-case basis. The need for external professional advice (where specialist skills or knowledge are not available internally) will be considered alongside the costs of such services and any risks of proceeding without them.

7.12 For our major contracts, external legal support may be required to draft contract terms and conditions where standard contract forms are not available or suitable. Legal advice may also be needed to help ensure our correct interpretation of EU procurement law and other matters such as TUPE² transfers. External expertise may also be used to inform our understanding of complex supply markets (e.g. energy) where it is beneficial to have a deep understanding of how the market operates prior to undertaking any procurement.

² TUPE is the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) which applies to certain services contracts where a procurement leads to a change of supplier and staff transfer from the old to new supplier.

8 Theme 2 - Regulatory context

EU procurement law

- 8.1 At the time of writing, the University is subject to EU procurement law which regulates the procedures by which contracts above a certain threshold³ are awarded. Although some of the obligations help to ensure that good practice is followed, they are also complex, restrictive and time-consuming. Whilst we are required to operate within the boundaries of the law, we will still adopt a commercial mind-set when awarding contracts subject to this legislation.
- 8.2 There can be serious consequences for failing to comply with EU procurement law as suppliers can take legal action against the University to enforce it. Ultimately, the courts can order the University to pay substantial fines, damages and legal costs. The courts can also rule that projects and contracts are postponed whilst the legal position is resolved. Hence, compliance with this legislation will be a key consideration for the University when undertaking procurement.
- 8.3 Depending on how the government's Brexit negotiations proceed, EU procurement law may be retained in its entirety or it could be completely repealed. If repealed, the UK government is likely to introduce its own replacement procurement laws.
- 8.4 In the event of changes to the law, the Procurement Team will review opportunities for the University to take advantage of any new flexibilities. Regardless of any legal obligations, we will conduct the procurement of high value/high risk contracts in a robust manner that protects the University's interests and ensures that our decision making can withstand scrutiny.

Modern Slavery Act

- 8.5 The Modern Slavery Act 2015 places a legal obligation on the University to publish an annual statement setting out the actions we are taking to address modern slavery in our supply chains. Each year we will analyse our external expenditure and use this to monitor trends in buying patterns so that we can be aware of where we may have modern slavery risks in our supply chains.
- 8.6 We will take a risk based and proportionate approach to undertaking checks on how potential (and current) suppliers are addressing the issue of modern slavery. We will focus our attention on those areas of expenditure which are at the most risk of modern slavery being present in the supply chain (this includes office stationery; IT hardware; laboratory consumables etc.). In this regard, we will work with colleagues in the HE procurement consortia (see para. 12.1) whose contracts we use for many of these purchases and whose support will be essential in combatting modern slavery.

Externally funded projects

- 8.7 Where the University has secured (or is bidding for) external funding, funding conditions may dictate the procurement procedures that need to be followed. In some cases (e.g. ESIF⁴), these can be more stringent than the processes required by either EU procurement law or our own Procurement Policy. We will ensure such requirements are met in support of funding bids and to protect funding once it has been secured.
- 8.8 Where funding does not impose procurement related conditions, we will use our own internal governance (see para. 11.1) which will enable us to demonstrate to external funders that we have sound procurement practices.

³ During 2017 the thresholds are £164k for Supplies/Services and £4.1m for Works (both excluding VAT). The thresholds change every two years in line with currency movements.

⁴ ESIF is an acronym for European Structural and Investment Funds and is a form of EU funding.

9 Theme 3 - Value for money

Achieving value for money

- 9.1 Value for money is the “*optimal use of resources to achieve intended outcomes*” (HEFCE⁵) and this is at the heart of what procurement does and our decision making. What we buy, how we buy it and who we buy it from are all factors in our ability to achieve value for money. The quality and capability of our suppliers are also important to us and we will seek to balance both price and quality matters.
- 9.2 Value for money does not mean simply that the University buys at the lowest possible cost. As recognised by HEFCE, it is also about the quality of outputs and outcomes that we achieve from suppliers.
- 9.3 We will carefully consider how we specify purchases as this is a key factor in achieving value for money. As a minimum, all of our purchases will need to be fit for purpose. However, we will also make informed choices which balance the benefits of increased functionality, improved service levels and quicker response times etc. against the additional costs that this may incur.
- 9.4 Competition between suppliers will be one of our primary means of achieving and evidencing value for money. When designing our contractual arrangements, we will take commercially aware decisions in matters such as contract length, allocation of risk and pricing strategies that will help us to deliver value for money.
- 9.5 Whole life costing will be used, where relevant, to support value for money over the longer term. This means that we will identify future costs (e.g. consumables, maintenance etc.) associated with a purchase and compare suppliers on this basis, rather than on the initial purchase price alone (which may not represent the total long-term cost).

Savings initiatives

- 9.6 During the life of this strategy, if our financial position changes procurement may need to prioritise budget releasing savings. Depending on the level of cashable savings that may need to be found, this can require a quite different and more aggressive approach than those ‘business as normal’ activities which deliver value for money.
- 9.7 Such savings initiatives will involve making hard choices and pursuing strategies that involve trade-offs. For example, reduced prices may only be available by compromising quality and/or added value (e.g. careers and employability opportunities for students) in some cases.
- 9.8 The following strategies will be considered if savings initiatives need to be implemented:
- Demand management – stopping, reducing or delaying expenditure.
 - Specification management – scaling back requirements (e.g. quality, service levels) in return for securing reduced prices from suppliers.
 - Re-negotiation and re-tendering – re-negotiating existing contracts and using break clauses to re-tender if savings are not forthcoming.
 - Opportunity profiling – prioritising savings opportunities in terms of scale and ease of realisation/speed of introduction.
- 9.9 We will need to carefully manage any such cost saving procurement programme as a focus on savings can result in a misalignment with other University objectives. Whilst savings initiatives may be coordinated by the Procurement Team, realising them would require active senior level support and the involvement and input of colleagues across the University. The delivery of savings initiatives/plans will also need resources from outside of the Procurement Team and initiatives would need to be owned (and agreed) jointly with budget holders.

⁵ As per the HEFCE Value for Money Reporting Circular Letter 23/2016 of 17.08.16.

10 Theme 4 - Strategic alignment

Links with other University strategies

- 10.1 This strategy has been prepared within the context of the University's Strategic Plan. However, it is recognised that other University strategies will also be developed in response to the Strategic Plan.
- 10.2 The Procurement Strategy is concerned with how we acquire external resources and get the best value from them, not with what resources (and the outcomes from them) that may be needed to support delivery of individual strategies. Hence, this Procurement Strategy should be read as being complementary to the strategies that it will exist alongside, including the University's forthcoming Value for Money strategy.
- 10.3 Some aspects of wider University strategy and direction directly impact how we will conduct our procurement and these are addressed below.

Student experience

- 10.4 We will expect our suppliers to provide students with opportunities that can help to improve their employability. Our Careers and Employability Team will work jointly with our Procurement Team to create and realise such opportunities.
- 10.5 Suppliers who win significant contracts from the University will be required to provide employability related added value to our students. To enable this, a contract schedule has been developed which places certain obligations on suppliers and makes them contractually binding. It requires suppliers to work in partnership with the Careers and Employability Team to provide benefits such as promoting their graduate employment schemes to our students and participating in Lincoln Award interview panels etc. We will track, monitor and manage the delivery of these benefits. Whilst progress has been made in this area, we will continue to review and develop the ways in which procurement can be used to create opportunities for students.
- 10.6 Where contracts will have a direct impact on the student experience, we will ensure that we include students in our decision making processes. The involvement of students helps inform what we buy and which supplier can best meet our needs; this supports value for money and high standards. In relevant contracts, we will engage students to help shape the specification (i.e. our list of requirements) and to evaluate the competing suppliers on those matters which can impact the student experience.

Sustainable procurement

- 10.7 We will take account of the environmental impact of our procurement using a proportionate approach. Where appropriate, we will include criteria in tenders to assess suppliers by considering their track record on environmental matters and evaluate how they will approach environmental issues relevant to the performance of the contract. The Estates Sustainability team and the Procurement Team have jointly developed a set of questions which can be used in this respect.
- 10.8 In conjunction with assessing suppliers on environmental matters, we will also consider the environmental impacts over the lifecycle of the purchases we are making. Where there are opportunities to purchase environmentally friendly alternatives we will consider switching to them where they are cost effective. Where it is appropriate to do so we will use our influence to encourage suppliers to provide products and services with a low environmental impact

Customer service excellence

- 10.9 The Procurement Team will positively engage with the University's Customer Service Excellence initiative for Professional Services functions. The team will use its knowledge and skills to offer the University a modern, effective and responsive service. It will work in a

collaborative manner with colleagues to understand their issues and challenges and aim to provide procurement solutions to address them.

- 10.10 Whilst the focus of the Procurement Team will be on high-value contracts, the team will also provide support (where requested) regardless of value. It will recognise that colleagues have different needs and will endeavour to support wherever assistance is needed.

11 Theme 5 - Procurement systems and processes

Governance

- 11.1 Governance is concerned with the systems and processes that the University has in place to deal with matters such as accountability, controls and oversight. From a procurement perspective, this is primarily concerned with ensuring there are suitable controls over the award of contracts.
- 11.2 The University's procurement is governed by both external legislation and our own internal rules. These internal rules are the Procurement Policy and Financial Regulations which all staff are required to follow.
- 11.3 Our Procurement Policy sets out the minimum requirements that need to be adhered to when purchasing on behalf of the University. This was introduced in 2014 following a University-wide consultation exercise and SMT approval. The policy seeks to find a balance between procedural efficiency and the benefits of competition and good governance.
- 11.4 Within such a policy, there is always a tension between the benefits gained through rigorous and comprehensive processes and the time (and the perception of bureaucracy) needed to run them. This new strategy does not require changes to the Procurement Policy. However, we will keep under review whether we have the right balance in this respect and make changes if they are warranted. A review of the Procurement Policy will be scheduled to take place following Brexit as this may require, or create opportunities to make, changes to our high value procurement procedures.
- 11.5 Procurement is often a subset activity of a larger project. Where this is the case, we will retain the flexibility to align procurement governance with the arrangements already made for project governance. This may include reporting to project boards or steering groups, where particular types of expenditure, contracts or project/purchasing decisions warrant additional oversight and scrutiny.

Procurement technology

- 11.6 Technology is one of the ways of improving organisational procurement capabilities. In common with much of the HE sector, we use different technology for different parts of the procurement process.
- 11.7 Technology One provides us with the tools to place purchase orders and undertake the financial processes associated with purchasing. Separate to this, we use an e-tendering system for all of our high value tendering processes. This enables tenders to be issued and received electronically and provides a thorough audit trail for the process. Post-Brexit our e-tendering needs may change and we will review whether the current solution is still suitable.
- 11.8 To keep pace with modern practices which support our staff and achieve the best outcomes for the University, we need to keep up to date with our use of procurement technology. A number of niche technologies exist which could potentially further enhance our procurement capabilities – these include systems to support contract management, undertake e-auctions and support complex tender evaluation processes.
- 11.9 During the period of this strategy, we will keep under review the opportunities that exist to improve our procurement capabilities through the use of ICT solutions. Affordability, value for money, alignment with the University's ICT strategy and the user experience will be key considerations in any future decisions we take regarding the use of procurement technology. Some technologies have previously been discounted due to the University not having sufficient external expenditure and/or scale to make them viable (from both financial and process perspectives). However, as procurement systems become more affordable and as the University continues to grow, these decisions will be revisited where appropriate.

Contract management

- 11.10 Contract management is concerned with ensuring suppliers deliver against their contract commitments and perform to a high standard. It involves the University taking steps after a contract has been awarded to manage the contract and supplier relationship.
- 11.11 Managing contracts requires time and effort from University staff. Therefore, contract management activities will be prioritised according to the risks and opportunities associated with the contract and the contract value. A light touch (and reactive) approach will be adequate for contracts involving minimal risks. Complex contracts which are important to the smooth running of the University will warrant a more planned and proactive approach.
- 11.12 Whilst we have pockets of good contract management practice and key contracts tend to be well managed, the University would benefit from further development in this area. Whereas we have procedures for the appointment of suppliers, we do not currently have guidance or tools to help staff manage contracts that fall within their area of responsibility.
- 11.13 To address this, the Procurement Team will develop a toolkit which can support staff with contract management. The toolkit will be flexible and scalable in recognition of the diverse nature of the University's contracts; a one-size fits all approach would not work.
- 11.14 Whilst the Procurement Team will manage corporate contracts⁶, contracts specifically for Colleges or Professional Service Areas can only be managed by staff in these areas who are close to the performance of the contract. Whilst some colleagues are confident and capable in managing contracts, hands-on support will be available from the Procurement Team for those colleagues who may need assistance to get the best from our suppliers.
- 11.15 Improving contract management will be challenging given the range of contractual agreements the University has with our suppliers. However, this will be an important area for us to address as good procurement work can be undone by a lack of contract management.

⁶ These are contracts used across multiple parts of the University and which do not have a College or Professional Service Area who consider themselves as being owners of the contract on behalf of the rest of the University.

12 Theme 6 - Collaboration and coordination

Procurement consortia

- 12.1 Procurement consortia are collaborative buying groups who aggregate demand and let a specific type of contract (framework agreements) for use by organisations who are subject to EU procurement law. They offer an alternative to the University undertaking its own tendering procedures.
- 12.2 The benefits to the University of using consortia include reduced procurement timescales, potential economies of scale and access to specialist market knowledge. However, there are downsides as the consortia take a fee (often via a supplier levy), limit the choice of suppliers and apply certain constraints to the procurement process. The majority of consortia operate on a not-for-profit basis and only seek to cover the cost of their operations.
- 12.3 The Diamond Report⁷ called for the HE sector to increase its use of collaborative procurement and recommended a voluntary target⁸ to encourage the use of framework agreements. As opposed to working to a target, we will assess the merits of a consortia agreement with other procurement routes on a contract-by-contract basis. A target driven approach would not be in the University's interests as this does not encourage analysis of whether a framework agreement is the best option in particular circumstances.
- 12.4 The University will become a member of North Eastern Universities Procurement Consortium (NEUPC) and we will be active in our membership so that the benefits of this are maximised. However, we will not restrict our use of consortia to those in the HE sector. Other consortia (e.g. Scape, Crown Commercial Service) offer attractive framework agreements for some of our requirements and we will use them where this will be advantageous.
- 12.5 In the event of any changes to EU procurement law post-Brexit, we will reassess the role of consortia and the merits of their use.

Internal coordination

- 12.6 To get the best procurement outcome it is vital that we (wherever possible) allow sufficient time to consider options, undertake appropriate competition and prepare a well-considered contract. Failure to do this means options get closed off, which can negatively impact choice and value for money. Therefore, we will continue to ensure that significant attention is given to scheduling the programme of our high value contracts where the need for thorough planning is most critical.
- 12.7 The Procurement Team will work alongside colleagues to maintain good visibility of expiring contracts, plan their timely renewal (where required), whilst also planning for where entirely new contracts need to be procured. It will work particularly closely with those areas having high procurement demand so that staff resources are aligned with project timelines.
- 12.8 Some contracts are needed for supplies or services that are required across all parts of the University where there is no identifiable internal contract owner (e.g. office stationery; car hire etc.). For corporate contracts of this nature, we will aim to consolidate demand across Professional Service Areas and Colleges to enhance the University's buying power. The Procurement Team will lead the letting of these contracts but will engage a representative sample of stakeholders to inform requirements, participate in the assessment of potential suppliers and obtain feedback for contract management purposes.

⁷ Efficiency and effectiveness in higher education: a report by the Universities UK Efficiency and Modernisation Task Group.

⁸ 30% of non-pay expenditure to be addressed through collaborative procurement arrangements. For information, in financial year 2015/16, our percentage was 29.6%.

13 Theme 7 - Supply side approach

Supplier relationships

- 13.1 There are different types of business relationships which we can have with our suppliers. At one end of the spectrum are transactional relationships and at the other are partnership relationships. Transactional relationships keep suppliers at arms-length, are short term in nature and concerned with narrow success factors (such as lowest price). Partnership relationships tend to be longer term, more deeply embedded (and difficult to change) and focus on a wider range of success factors. Most of our relationships with suppliers will be on a continuum between these two extremes.
- 13.2 The type of relationship that we will adopt with our suppliers will depend on the nature and specifics of the contract being let. We will seek to adopt partnership type relationships where benefits can be gained from working more closely with suppliers over an extended period and where frequent competition is not appropriate. In contrast, we will use a more transactional relationship approach where maintaining competitive tension is a priority and suppliers can be replaced relatively easily.

Supply base optimisation

- 13.3 Our supply base is the combination of both current suppliers and potential new suppliers to the University. Optimising the supply base is concerned with ensuring that we have the right mix of suppliers to provide us with our external resources.
- 13.4 In practical terms, this means we will have different types of suppliers for different requirements. For contracts where there could be serious consequences from poor supplier performance, we will appoint suppliers that have the required experience and capabilities to successfully deliver. Whilst this can limit competition, due diligence of this type reduces the risk of selecting the wrong supplier for a key contract. For less critical requirements we will be open to a wider choice of suppliers and our due diligence can be scaled back – this can enhance competition and, potentially, value for money.
- 13.5 During the procurement process, we will be receptive to new and different suppliers (not just those we have used before) as we aim to find the most suitable suppliers to meet our needs. As the University continues to grow and develop, we will need new suppliers to provide us with the external resources that new schools may require.
- 13.6 We expect an amount of ‘supplier churn’ (i.e. change in our live suppliers) as new suppliers are appointed and the use of others is discontinued. However, registering new suppliers to our systems incurs a range of hidden administrative costs. Therefore, we will only appoint new suppliers where a new supplier will offer us a benefit. Typically, this will be because they have proved to be the best supplier following a competitive exercise, can improve value for money or offer innovation/resources that current suppliers cannot provide.

14 Theme 8 – Risk management

Managing procurement risk

- 14.1 By its nature, procurement exposes the University to risk as it engages with external organisations (suppliers) outside of our direct control. For this reason, our procurement processes will include measures to help manage these risks. Risks arise both whilst selecting suppliers and during the appointed supplier's delivery of the contract.
- 14.2 Whilst risks occur with purchases of any type, they typically increase as the value and/or complexity of the contract increases. Therefore, our risk management efforts will be concentrated on higher value procurement and complex contracts where continuity of supply is important. Contracts which pose a reputational risk to the University will also warrant an increased focus on risk management. Where appropriate, we will use project teams that bring together the input and risk perspectives of various stakeholders.
- 14.3 During the selection of suppliers, there are risks that can result from a failure to comply with the relevant procedures (either EU procurement law or the University's Procurement Policy). The involvement of the Procurement Team will mitigate this risk and we will also have recourse to external legal advisors where necessary.
- 14.4 Other risks during the supplier selection stage include failing to undertake adequate due diligence on potential suppliers and not securing an acceptable commercial outcome. To reduce these risks for high value procurements, we will carefully consider our requirements, thoroughly assess supplier capabilities, develop robust contracts and be commercially-minded.
- 14.5 Once a supplier is appointed, the risks change to whether the supplier performs to an acceptable level and to any potential interruptions in supply which may be experienced. Whilst these risks can be mitigated prior to appointment by due diligence, after the contract has been awarded we will use contract management (see para 11.10) techniques to help manage these risks. This can help us to gain early warning of emerging issues and address performance concerns before they escalate.
- 14.6 We will assess and act on risk in a way that seeks to balance organisational and project objectives with procurement risks. Whilst we will identify and reduce (or remove) unnecessary risks, at times it will be necessary to accept certain risks. It is not a matter of minimising (or transferring) procurement risks to suppliers at all costs. This can have a detrimental effect and we will only seek to transfer risk to suppliers if this makes commercial sense.

15 Theme 9 – Reviewing performance and reporting

Performance management

- 15.1 We will assess procurement performance by taking a number of different aspects into account in recognition of its multi-dimensional nature. The following perspectives will be important to us in our assessment of performance:
- our progress in terms of organisational procurement maturity;
 - the performance of the central Procurement Team;
 - the effectiveness of individual procurement exercises⁹;
 - the level of student added value achieved through procurement; and
 - the performance of our suppliers¹⁰.
- 15.2 Within Annex B we have set out a number of Performance Indicators which will be used to inform our assessment of performance. However, measuring our procurement success is a work-in-progress. We aim to review this further whilst striking the right balance between the benefits of measurement and the level of resource effort required to undertake such measurement.
- 15.3 Performance measurement of procurement is a challenge also faced at sector level. A small number of HE sector level Best Practice Indicators were in effect at the time of issuing this strategy. However, they are due to be updated in 2017 as they have become outdated and don't reflect the breadth of issues relevant to performance. Once updated, we will consider how they can assist with our performance management.

Reporting

- 15.4 The efficiencies we deliver through our procurement activity will be reported using the annual HEFCE Efficiency Measurement Model (EMM) survey. This is used by the HE procurement community to capture and record savings (cash and non-cash) using a common reporting method. The completion of the EMM can also be used as one of the sources of evidence for the Value for Money reporting required by HEFCE.
- 15.5 The Head of Procurement & Purchasing will be responsible for the delivery of the Action Plan (Annex A). Progress on this and against the Performance Indicators (Annex B) will be reported to the Chief Finance Officer bi-annually, or annually where they are measured on an annual basis.

⁹ This refers to how successful a specific tender exercise or similar competition/contract award has been.

¹⁰ Whilst supplier performance is not necessarily a reflection on the University, there is a link between this and the supplier selection and contract management activities of the University.

Prepared by Finance Department, March 2017

University of Lincoln
Brayford Pool
Lincoln
LN6 7TS

procurement@lincoln.ac.uk | +44 (0)1522 886762