

Appendix 1

Annual Procurement Value For Money Report 2023 – 2024

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Introduction

1. Purpose of report:

- 1.1. The purpose of this report is to highlight the procurement activity that has taken place between 1st August 2023 and 31st July 2024 that supports the University's obligation to secure value for money on all its bought-in goods, services, works and utilities. 'Value for money' in this case is defined as the optimum combination of whole-life cost and quality to meet the users' requirement. For the purpose of this report only the quantifiable benefits (both cashable and non-cashable) have been reported although it should be noted that obtaining value for money through good procurement practice also includes other, more difficult to quantify benefits, such as reduction of risk, improved terms and conditions and improved quality of product or service.

2. Reporting Methodology

- 2.1. The Higher Education Procurement Association (HEPA) Benefits Reporting Methodology (updated in March 2019) has been used to calculate cashable and non-cashable efficiencies for 2023-24.
- 2.2. The Higher Education Procurement Association (HEPA) Benefits Reporting Methodology is intended to act as a single methodology to be utilised by both University Purchasing Consortia (UPC) and Higher Education institutions across the UK to enable consistent reporting to be undertaken within HEIs, across all UK level institutions, and provide the key source data for reporting of spend into each nations' report tools.
- 2.3. A summary of the benefit reporting types for cashable and non-cashable efficiencies is attached at Appendix A.

3. The Role of Procurement:

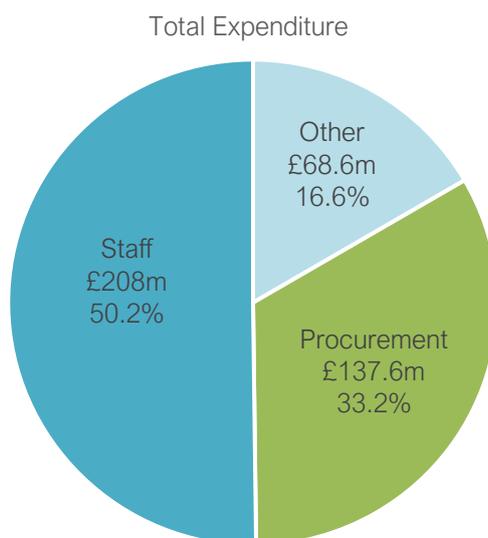
- 3.1. For the purpose of this report the term 'Procurement' means all activity that relates to the end-to-end purchase to pay process. That includes the strategic and transactional work carried out predominantly by the central Procurement team, as well as the processing of all 3rd party supplier invoices carried out by the Payments team.
- 3.2. The Procurement function is responsible for the following:
 - o The provision of a professional resource for the delivery of all major procurement activity.
 - o Management of all tenders with a total spend greater than £40,000 for goods and services, and £100k for works.
 - o Ownership of the University's Procurement Policy including its development, maintenance, and on-going monitoring for compliance.
 - o Ownership of the Purchase to Pay process for the acquisition of all supplies, services and works.
 - o The payment of all invoices for bought in goods, services, and works.
 - o The collation and delivery of category plans for all major categories of procurement activity.
 - o The development and provision of guidance, tools and templates for operational procurement needs that reflect current best practice.
 - o The procurement and management of strategic and transactional tools to improve the efficiency of procurement activity, including the use of e-procurement technologies.

- The development and delivery of all procurement related training to internal stakeholders.
- The management and monitoring of a defined range of contracts and supplier relationships.
- The management of the University's relationship with external purchasing consortia and collaborative procurement partners.
- The onboarding of all new suppliers to the University, and the maintenance of all existing supplier records.
- The identification and management of procurement risks including fraud and supply chain related risks.
- The management of IR35 legislation for contractors providing a service to the University.
- Integrating legislative requirements and organisational objectives that impact how the University procures into standard practice. This includes, but is not limited to, the UK Public Contract Regulations 2015, the University's carbon reduction commitment, and the Modern Slavery Act 2015.

Expenditure Profile 2023 – 2024

4. Total Expenditure:

- 4.1. During the financial year 2023-2024, the University had an expenditure of £414.2m¹. Of this, £137.6m² was spent on bought in goods and services, expenditure that could potentially be influenced by procurement. This represents 33% of the University's total budget and a significant opportunity for good procurement practice to ensure maximum value is realised from the available resources.



- 4.2. The values above represent the figures used in the University's Annual Accounts for 2023-2024 and are replicated in the format dictated by the Higher Education Statistics Agency. As such the figures do not include all the costs associated with capital expenditure that are influenced by the University's procurement practice. The Higher Education Procurement Association Benefits Reporting Methodology details a method for calculating the University's 'impactable spend' i.e. expenditure that can be influenced by traditional procurement processes in order to deliver value for money, which includes capital expenditure, but excludes elements of cost outside the remit of procurement activity, e.g. rent, rates, etc. During 2023-2024 our impactable spend was calculated as £113m³. This is a £2m increase when compared to 2022-23.
- 4.3. The following tables (5. 6. & 7.) show the University's expenditure by category; by internal budget holder; as well as identifying the University's top suppliers by value for 2023-2024. The total figures quoted are inclusive of capital expenditure as well as payments made to external parties that may not be subject to the University's normal procurement rules, i.e. payments to research partners.

1 Figure is before a £98.2m credit is applied due to a change in USS pension provision.

2 Represents total 'Other operating expenses' as per the University's Financial Statements for the year ended 31 July 2024.

3 Includes non-recoverable VAT

5. Expenditure by Category⁴:

Category Description	£ value 2023-2024	% of total	£ change from 2022-2023	% increase / decrease
Estates, Buildings and Facilities Management Supplies and Services ⁵	£27,629,691	25.2%	+£5,550,782	+25.1%
Professional Fees and Bought-in Services	£25,473,220	23.3%	+£1,560,589	+6.5%
Utilities	£12,446,999	11.4%	+£3,352,371	+36.9%
Laboratory Supplies and Services	£10,828,281	9.9%	-£4,366,349	-28.7%
Computer Supplies and Services	£9,544,794	8.7%	+£1,305,854	+15.8%
Library and Publications Supplies and Services	£5,339,281	4.9%	+£430,211	+8.8%
Travel and Transport (incl. Vehicle hire and Subsistence) Supplies and Services	£4,369,855	4.0%	+£332,959	+8.2%
Safety and Security Supplies and Services	£3,488,198	3.2%	+£316,142	+4.8%
Catering Supplies and Services	£2,690,275	2.5%	+£197,612	+7.9%
Audio Visual, Multimedia, Entertainment and The Arts Supplies and Services	£1,780,178	1.6%	+£901,271	+102.5%
Sports & Recreational Equipment and Services	£1,059,037	1.0%	+£574,606	+118.6%
Workshop and Maintenance Supplies and Services (Laboratory and Estates or Facilities)	£1,019,239	0.9%	-£426,398	-29.5%
Facilities Operations	£866,720	0.8%	-£34,160	-3.8%
Furniture, Furnishings and textiles, Supplies and Services	£793,982	0.7%	-£155,643	-16.4%
Janitorial and Domestic Supplies and Services	£556,099	0.5%	-£26,293	-4.5%
Printing and Reprographics Supplies and Services	£539,790	0.5%	+£21,689	+4.2%
Stationery and Office Supplies	£459,324	0.4%	-£1,428	-0.3%
Telecommunications, Postal and Mail Room Supplies and Services	£405,298	0.4%	-£23,440	-5.5%
Vehicles Supplies and Services (Purchase, Lease, Contract Hire)	£114,815	0.1%	-£51,254	-30.9%
Medical, Surgical, Nursing Supplies and Services	£101,803	0.1%	+£2,926	+3.0%
	£109,506,878			

⁴ Excludes expenditure that has not been through the standard Agresso purchase to pay process, i.e. Purchase-cards.

⁵ Excludes the acquisition of Eveleigh Waterside and Scala buildings.

6. Expenditure by Faculty/Department⁶:

Faculty/Department	£ Amount 2023-2024	%	£ Change from 2022-2023
Campus Infrastructure ⁷	£39,355,319	32.4%	+£7,308,462
Other	£15,594,380	12.8%	+£762,282
Faculty of Science	£13,061,721	10.8%	+£3,233,378
Digital, Data & Technology	£10,617,205	8.7%	+£698,975
Campus Services	£9,827,544	8.1%	-£4,846,289
Faculty of Engineering & Design	£8,086,605	6.7%	-£1,980,723
Library	£5,368,762	4.4%	+£479,211
PGT Recruitment & Admissions	£4,664,788	3.8%	+£1,268,045
Faculty of Humanities & Social Sciences	£4,371,689	3.6%	-£512,370
School of Management	£4,239,007	3.5%	+£333,234
Campus Retail	£3,119,391	2.6%	+£36,706
Research & Innovation Services	£1,924,733	1.6%	-£644,843
Sports Development & Recreation	£1,149,742	1.0%	-£404,736
Shared Facilities	£130,758	0.1%	-£489,183

⁶ Includes VAT adjustments.

7. Top 20 Suppliers by Value:

Supplier	£ Amount 2023-2024
EDF Energy Ltd	£8,073,323
Corona Energy	£3,624,097
Clarity Travel Ltd	£3,289,208
Rydon Construction Ltd	£3,120,000
Co-Operative Franchising Ltd	£2,095,544
Overbury plc	£1,798,958
John Wiley & Sons Ltd	£1,713,413
Shield Environmental Services Ltd	£1,689,031
Cadence Resourcing Ltd	£1,512,980
KP Wilton & Son Ltd	£1,431,844
Phoenix Software Ltd	£1,347,717
Verde Recreo Ltd	£1,212,402
Jisc Services Ltd	£1,165,312
21 st Century Building Services Ltd	£1,120,832
Education Cubed	£987,022
Global Resourcing Ltd	£926,991
Bild Studios Ltd	£890,199
Sierra CP Engineering Ltd	£813,306
IDP Education Ltd	£803,640
BFS Group Ltd	£777,269
Sword Dynamic Services Ltd	£762,654

⁷ Excludes the acquisition of Eveleigh Waterside and Scala buildings.

Review of Activity

8. Summary of Transactional Activity:

8.1. The table below details the volume of various elements of transactional activity related to the University's procurement operation and compares it against the previous two financial years to provide an indication of the trend for each type of activity.

	2021-22	2022-23	2023-24
Total No. of suppliers used	3,991	4,145	4,111
- New suppliers	1,473	1,474	1,384
Total Purchase Orders	37,417	39,361	38,617
- Electronic Purchase Orders	29,681	32,241	32,250
- Marketplace Purchase Orders	15,918	16,554	15,640
- Emailed Purchase Orders	13,763	15,687	16,610
Total invoices	62,894	72,547	72,056
- Electronic invoices	62,444	72,245	71,891
- e-Marketplace invoices	17,169	17,440	15,491
- e-invoices (pdfs)	45,275	54,805	56,400
Purchase-card transactions	8,538	11,271	11,869
Bid Evaluation Documents	195	168	149
Single Action Waivers	354	337	316

9. Bid Evaluation Documents:

9.1. For the procurement of all contracts that have an estimated contract value in excess of £10,000 a minimum of three competitive quotes must be requested from prospective suppliers of goods and services, and £40,000 for works. This process may also be adopted where a competition is conducted under an existing multi-supplier framework agreement (e.g. purchase of some capital requirements) and therefore the contract value may significantly exceed £10,000 / £40,000. The outcome of this competition is captured within a Bid Evaluation Document (BED) and where conducted by the department, passed to the central Procurement team for review and approval to award the contract.

9.2. During 2023-2024 a total of 149 BED forms were complete with an aggregated total value of £5,086,151. Cashable savings of £852,263 / 16.8% were generated from this activity.

10. Single Action Waivers

10.1. Single Action Waivers (SAWs) are issued to capture the circumstance and provide approval where the required competitive (multiple) quotations or tenders cannot legitimately be obtained. Typical examples of circumstances where this may be required include goods/services are available only from a particular supplier; technical reasons / capability; suppliers design capabilities / capacity / IPR; the need for the goods, services or works are required in an emergency.

10.2. During 2023-2024 a total of 316 Single Action Waivers were used with a combined value of £11,295,303. This represents a decrease in volume and value of 21 and £2,244,202 when compared to 2022-23, and a year on year decrease for four consecutive years.

11. High Value Procurements:

11.1. The procurement of all contracts with an estimated expenditure greater than £40k for goods and services, and £100k for works, are tendered by the central Procurement team. During 2023-2024 cashable and non-cashable savings of £4,323,352 were generated from this activity. This represents an increase of £2,548,626 when compared to 2022-23.

12. Collaborative Procurement:

12.1. The University has access to a variety of pre-negotiated framework agreements that have been let by different public sector purchasing consortia. The use of these frameworks has provided benefits such as a reduction in the resources required by the University to let the contract, as well as obtaining greater leverage over the supply market through increased economies of scale.

12.2. The table below provides a breakdown of the level of expenditure and savings achieved via major collaborative arrangements regularly used by the University.

Consortium	Expenditure 2022-2023	£ Savings ⁸	% Savings
Southern Universities Purchasing Consortium, The University Catering Organisation, & JISC	£13,126,283	£875,565	6.7%
The Energy Consortium	£10,992,091	£482,889	4.4%
UMAL (Insurance services)	£596,149	£349,794	58.7%
Crown Commercial Service	£3,592,975	£260,957	7.3%
Total	£28,307,498	£1,969,205	7%

12.3. There has been a 21% (£4.9m) increase in the level of collaborative expenditure when compared with 2022-23. Most notably this has been caused by the increase in unit prices related to gas and electricity which has equated to approximately a £3.2m increase when compared to 2022-23. The percentage savings achieved remains high indicating that by selecting this route to market the University continues to receive value for money within a challenging market.

13. Purchase to Pay Transactions:

13.1. During 2023-2024 the University did business with 4,111 suppliers, of which 1,384 were new suppliers to the University during that financial year. A total of 38,617 purchase orders were issued and a total of 72,056 invoices were paid. This represents a decrease of 2% and 1% respectively when compared against the transaction volumes for 2022-2023.

⁸ Includes cashable and non-cashable savings.

14. E-Transactions:

- 14.1. A total of 15,640 purchase orders were raised and sent via the University's e-marketplace platform. A further 16,610 purchase orders were sent automatically via email. Together they represent 84% of all orders placed by the University and a 3% increase compared to 2022-23.
- 14.2. A total of 71,891 electronic invoices were paid via the University's e-marketplace platform or processed directly from the supplier in an electronic (typically pdf) format. This represents 99.8% of all invoices paid during 2023-2024 and sustains this proportion of invoices processed electronically for the fourth consecutive year.
- 14.3. 87.2% of invoices were paid within the University's target payment terms. This is measured from the invoice date as stated on the invoice, to the contracted number of days for the point of payment. The University standard terms are 30 days. This represents a 2.4% increase when compared to 2022-23, as well as a year-on-year increase for the fourth consecutive year and the highest annual performance recorded to date. Delays to making payments may be caused by a variety of reasons including disputed invoices, deliberate withholding due to poor or non-performance of contract, or other contractual disputes.

15. P-Cards:

- 15.1. A total of 11,869 orders were placed using University purchase cards against a total expenditure of £1,948,955. The volume of transactions and value of expenditure via purchase cards in 2023-2024 were very similar to that of 2022-2023.

16. Summary of Savings:

Type of Saving	£ Savings
Cashable	
Bid Evaluation Documents	£852,263
High Value Procurements	£3,456,976
Collaboration	£1,531,948
Sub total	£5,841,187
Non-Cashable	
Purchasing consortia efficiencies	£437,257
Other non-cashable efficiencies	£869,147
Sub total	£1,306,404
Total	£7,147,591

- 16.1. The total savings⁹ for 2023–2024 represent 6.3% of the total impactable spend (£113m). This represents a 24.5% increase in value (£1.4m) when compared to 2022-23. This can be considered a significant achievement and continues to be higher than the average for institutions of a comparable size (£300m - £600m turnover) which stood at 4.1% in 2022-23¹⁰.

⁹ Cashable and non-cashable

¹⁰ As per the Procurement Value Survey Results Report 2022/23 produced by the Higher Education Procurement Association.

17. Procurement Initiatives Delivered

- 17.1. Work has continued finding ways to reduce the University's **Scope 3 carbon footprint**. Most notably during 2023-24 the University subscribed to the use of the Net Zero carbon supplier tool which captures the carbon footprint of many of our 1st tier suppliers. For those suppliers not yet in a position to provide data on their carbon footprint it also supports them with advice and guidance on how to capture data on the carbon footprint associated with their own operation and respective supply chains. Currently 32 HE institutions have signed up to use the tool, and over 100 suppliers to the University of Bath have registered for its use.
- 17.2. Work has continued on the development of a **digital supplier onboarding tool**. This tool is designed to reduce the time taken to register a new supplier on the University finance system, as well as providing a digitally secure to environment to do so. Launch of the tool is expected in early 2025.
- 17.3. In preparation for the forthcoming introduction of the **UK Procurement Act 2023** in February 2025, all Procurement Category Managers undertook an extensive training programme to familiarise themselves with the new legislation. Understanding the new rules is not only key to ensuring compliance when external funding rules dictate, but as an organisation that is not required to follow the public sector procurement legislation (legal advice confirms that the majority of the University's income is from 'private' as opposed to 'public' sources), this knowledge is also essential to help evolve the University's own Procurement Policy. A complete review of the Procurement Policy is underway, and a revised version is due to be launched in early 2025.
- 17.4. The central Procurement team have worked with colleagues from the Campus Infrastructure department to develop a '**Roles and Responsibilities**' paper that defines the role of each key stakeholder involved in the procurement activity during the delivery of major infrastructure projects. With a significant planned pipeline of major infrastructure projects over the forthcoming years, this paper was discussed and approved at the University's Estates Strategy & Buildings Advisory Board. The aim is to ensure clarity of roles leading to more effective and efficient joint working between all parties and a better outcome for each project.
- 17.5. The University's process (NESA) for assessing compliance with the **IR35 legislation** was subject to a formal review by the Internal Audit team. Consequently, a series of recommendations to improve the process have been actioned jointly by the central Procurement team and HR.
- 17.6. In June 2024 a **supplier exhibition** ('*Supplier EXPO*') was delivered on campus. This was the first time the exhibition has been staged since prior to the pandemic. The exhibition provides an opportunity for all staff to meet with many of the University's main suppliers across a variety of supply categories, enhancing working relationships and providing a platform for suppliers to demonstrate their products and services face to face. The exhibition was the most well attended to date and feedback back was overwhelmingly positive.
- 17.7. The University collaborated with five other public sector organisations to procure a new agreement for the provision of a **corporate purchase card service**. By collaborating and aggregating our annual expenditure via purchase cards, each member was able to benefit from an increased rebate under the new agreement. Currently the University has c.130 purchases in use with an annual expenditure of c.£2m.

18. Planned Initiatives

18.1. Work will continue to enhance the Procurement and Payments functions throughout 2024-25 by undertaking a number of planned initiatives. They include:

- Developing a new overarching procurement strategy.
- Launching a new Sustainable Procurement Policy.
- Developing new guidance on competitive tendering.
- Launching new guidance on whole life costing.
- Developing and delivering refreshed major category strategies.
- Launching a new supplier onboarding tool.
- Launching a Power BI dashboard for category management and payment performance.
- Reviewing and developing an improved approach to central inventory management.
- Launching a new corporate purchase card scheme.
- Conducting a payment recovery audit.
- Conducting a review of utilities billing.
- Reviewing the level of central procurement resource in light of the planned pipeline of capital expenditure.

Procurement Performance

19. Procurement Key Performance Indicators

19.1. The table below details the results of the key performance indicators for the Procurement function tracked over a five-year period.

Ref.	Performance Indicator	Desired Trajectory	2019/20	2020/21	2021/22	2022/23	2023/24
1	Cashable savings	Maintain / Increase	£8,788,610	£7,745,779	£4,370,207	£5,015,952	£5,841,187
2	Non-cashable savings	Maintain / Increase	£1,679,861	£893,553	£999,804	£725,096	£1,306,404
3	Total savings as a % of impactable spend	Maintain / Increase	8.7% of £120m	9.2% of £94m	6.2% of £87m	5.2% of £111m	6.3% of £113m
4	% of POs via e-marketplace	Maintain	43%	43%	43%	42%	41%
5	% of PO sent via e-mail	Maintain	33%	33%	37%	40%	43%
6	% of Invoices received via the e-marketplace	Maintain	26%	32%	27%	24%	21%
7	% of electronic invoices processed (non-marketplace and without converting to paper)	Maintain	53%	67%	72%	76%	78%
8	Value of contracts procured collaboratively	Maintain / Increase	£14,294,731	£13,421,014	£18,204,284	£23,326,152	£28,307,498

19.2. KPIs 1, 2 and 3 remain an important indicator of the performance of procurement activity of the University. The ability to achieve savings when procuring 2nd generation (and beyond) contracts represents a significant challenge. This is typical as the procurement function matures and opportunities for savings related to better buying techniques (e.g. aggregation) are realised. This is true not only for contracts tendered directly by the University, but also for those contracts procured via collaborative arrangements which constitute a large proportion of the overall savings. Increasing market costs continued to represent a challenge during 2023-24 with UK inflation starting the year at 6.7% during August 2023. Thankfully this eased over the course of the financial year with inflation dropping to 2.2% by July 2024. It is also worth noting that in a report produced by the Higher Education Procurement Academy that compiled benefits/savings results from 74 UK universities for the financial year 2022/23, the average total procurement savings as a

percentage of impactable spend for those universities in the same turnover bracket as Bath (£300m-£600m) was 4.1%.

- 19.3. KPIs 4 and 6 have now plateaued which illustrates the e-Marketplace platform has been implemented to best effect. This percentage may change in future due to the introduction of new catalogues, or a change in the purchasing habits, however the change is likely to be minimal as all major contracts that significantly benefit from an e-catalogue have now been implemented.
- 19.4. KPIs 5 and 7 demonstrates that efficiencies continue to be obtained through the electronic issuing of purchase order and the electronic invoice receipt and processing. Combining this approach with e-marketplace represents an 82% electronic purchase order transmission rate, and 99.8% of all invoices processed. The high levels achieved year on year indicate that our processes are well optimised in this area.
- 19.5. KPI 8 has increased when compared to the previous year, this has mainly been caused by the increase in unit prices related to gas and electricity which has equated to approximately a £3.2m increase when compared to 2022-23.

Appendix A - Summary Table of Benefit Reporting Types

Below is a list of the relevant savings / benefit types that can be reported in relation to procurement activity in accordance with the Higher Education Procurement Association (HEPA) Benefits Reporting Methodology (updated in March 2019).

SAVINGS / BENEFIT TYPE (BT):	REPORTABLE AS:
BT1 - Direct Price Based Savings	Cash
BT2 - Price Versus Market Savings	Non-Cash
BT3 - Process Savings from Use of Collaborative Arrangements	Non-Cash
BT4 - Introduction of Electronic Trading – Purchase to Pay P2P process	Non-Cash
BT5 - Introduction of Electronic Tendering – Electronic Issue, Receipt and/or Adjudication of Tenders (Organisation's own tendering activity) This is a legal requirement and removed as a reportable benefit	Either Cash or Non-Cash
BT6 - Demand Management. Renamed as Contract Management	Non-Cash
BT7 - Active Price management. Renamed as Contract Management	Cash
BT8 - Make v Buy / Outsourcing	Either Cash or Non-Cash
BT9 - Cost Removal (Removed and incorporated in BT10)	Cash
BT10 - Added Value and Cost Removal. (BT9 incorporated.)	Either Cash or Non-Cash
BT11 - Risk Reduction	Non-Cash
BT12 - Payment / Title Terms Based Savings (This category is removed as a standalone measure. Savings to be recorded as BT1)	Cash
BT13 - Process Re-Engineering	Either Cash or Non-Cash
BT14 – Sustainability Based Benefits	Will normally be described in narrative