

Procure to Pay at Newcastle University

Summary

The project focused on identifying and implementing improvements in buying goods and services at Newcastle University. The project lasted 18 months and was overseen by a multi-functional team.

- Project cost: £1.2 m (HEFCE £1m + institution £200k).
- Procurement savings in year one: £1.46m.
- Reduced work volume and enhanced supplier experience via a centralized e-marketplace, consolidated supplier billing and more use of purchasing cards.
- A dedicated change management and communication team provided critical expertise to realize benefits from process change.

Critical Success Factors

1. **Blueprint** – the target business processes were well defined and agreed at the outset, and there was no scope-creep.
2. **Finance** – the support of HEFCE modernisation funds (£1m) – dedicated funds from HEFCE allowed progress to be accelerated and specialists recruited. The total project cost was £1.2m including £200k institutional contribution.
3. **Time for project preparation and planning** – this included investigation and research into relevant technologies and best practice; this absorbed double the resource that was predicted but was a sound investment.
4. **Time for consultation and roll-out** – including business process discovery workshops – understanding how people currently do the work, which allowed pre-purchase customisation and minimised costs later on.
5. **Dedicated change management function** – bespoke training, job refreshment, follow-up training and supporting stickiness of new processes.

Key outputs and direct benefits

- **Delivered procurement savings** – in Year One of £1.46m, future savings per year predicted to be £2.4m p.a. (based on benchmark estimates against organisations of similar size (£100m total non-pay spend)).
- **Reduced volume of work** – through greater use of purchasing cards, consolidated electronic supplier billing and improved workflow management tools. The business case estimated this to be £0.2m p.a. net (circa 8 FTE) – using GPS benchmarks which is the Government endorsed framework, this would quantify as £1.07m.

- **Centralised processing activity** – improved productivity, increased use of IT tools and improved supplier experience.

Project details

Policy Area and how links to Growth	Efficiencies through strategic procurement
Savings: Administrative Efficiency: Same output for reduced input	Use of e-marketplace software supported reduction in costs of £1.2m per annum on consumables Use of purchasing cards saving £260k pa Reduction in volume of work: 8 FTE redeployed to front line functions saving: 200k per yr. Total savings Year 1: £1.7m figures above Future savings £2.4m pa
Current Progress (including numbers on realised savings where possible)	Total savings Year 1: £1.46m + staff figure above
Cost of Change – cost of managing / implementing changes	HEFCE Modernisation Fund Project = £1m Plus institutional contribution to implementation = 200k Recurrent costs per yr. = 100k
Time taken to realise benefits – (short term and long term issues)	Project duration: 2 years Long term benefits to be realised over a number of years and include better category and supplier coverage and management, leading to savings and efficiencies in a wide range of areas.
Unanticipated consequences – good and bad	Good Greater expertise across institution and better compliance: e.g. 85% awareness of EU laws Ensuring most beneficial terms and conditions available to all, not just to one School or Institute Supplier gets paid quicker in return - more strategic relationships; best supplier awards Wider net of suppliers willing to bid for university business – will decrease prices (e.g. Travel companies)

	<p>Consistency of suppliers and supplier pricing leverages opportunities for collaborative procurement</p> <p>Bad – underestimated time on project planning</p>
Future plans	<p>Strategic relationships and building community of suppliers for future pilots e.g. reducing number of deliveries in campus to reduce costs, carbon emissions and may reduce costs for suppliers</p> <p>Joint procurement with City Council on strategic areas (centralised window cleaning pilot has saved University 50k per annum and City Council 500k pa)</p>
Potential for application across R&I base	<p>Supplier Catalogues: potential for greater involvement with other Universities – collaborative catalogues shared by EGS and can be accessed by</p> <p>Newcastle have now added items relating to Medical Schools</p> <p>Possible synergies for using same supplier base – no set up costs.</p>

Other efficiencies delivered at Newcastle

Electricity usage was held constant with additional 30,000 square metres of space, by replacing old light units and motors on air handling units, and changes in behaviour. These were supported by a combination of University and Salix funding.

Smart working has saved £1.4m capital expenditure on new Estates Service refurbishment by allocating 60 desks for 80 people, yielding a space saving of 25%.

Contact

For more information, contact Richard Dale, Executive Director of Finance, Newcastle University richard.dale@ncl.ac.uk

Case study repurposed by kind permission from ‘Making the best better: UK research and innovation more efficient and effective for the global economy’: report for the Department of Business, Innovation and Skills (BIS) by Sarah Jackson on secondment from the N8 Research Partnership, 30 March 2013.