



# HIGHER EDUCATION PURCHASING CONSORTIUM, WALES – ANNUAL REPORT 2014

*Supporting Higher Education  
Institutions in Wales in achieving value  
for money through a strategic  
approach to collaborative procurement*



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## Chairman's Report and Executive Summary

In challenging economic times, the pressures facing the Higher Education (HE) Sector in Wales are numerous and diverse. Increased student fees have impacted upon students' expectations, and stakeholders are understandably demanding the highest standards in teaching and institutional facilities.

In striving to meet these challenges it is essential that institutions achieve value for money. In this regard procurement functions play a vital role. Both within the HE Sector and at an All-Wales level, there is an acknowledgement that a collaborative approach to procurement can deliver cost effective solutions for goods and services where synergies exist.

The Higher Education Purchasing Consortium, Wales (HEPCW) is ideally placed to support its members in addressing the challenges faced. Key achievements for 2013/14 include:

Fig. 1

- 20 new collaborative agreements awarded
- Access to 120 HE Sector collaborative agreements
- £75.3M placed through collaborative agreements (26.3% of total influenceable spend)
- £69.9M placed through HE Sector managed collaborative agreements
- 37.6% of expenditure placed through collaborative agreements excluding capital projects
- Savings of £7.7M achieved through the use of HE National and Inter-Regional Agreements
- £75.8M placed with Welsh suppliers (26.5% of total influenceable spend)
- A successful supplier exhibition held in Swansea University
- Providing an interface with Welsh Government/Value Wales in respect of the adoption Welsh Government Procurement Policies
- Full engagement with HE Sector colleagues, National Procurement Services (Wales) and other stakeholders to ensure sharing of information and best practice.

Procurement maintains a high profile in Wales and has garnered significant political interest in terms of its influence and ability to deliver key policy objectives. In December 2012, the Minister for Government Business and Finance delivered the Wales Procurement Policy Statement, announcing 9 key themes which underpin the objective of delivering value for money through public procurement in Wales. These themes will be addressed throughout this report, and examples provided to demonstrate how HEPCW is supporting the members in the achievement of the policy statements. In addition HEPCW continues to engage with the UK Universities Purchasing Consortia on those initiatives which are aligned more closely to sector requirements and objectives.

As a response to the changing landscape, HEPCW has reviewed and amended its constitution in 2013/14. As a consequence, there is increased procurement influence upon the strategic governance

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of the consortium, and greater flexibility in responding to meet stakeholder requirements. The new constitution reflects the creation of the National Procurement Service, Wales (NPS) and the additional opportunities which this delivers in terms of delivering additional benefit from collaborative procurement.

Going forward it is essential that HEPCW reviews its objectives to ensure it is focused on delivering services which will enable its members to meet the challenges faced and deliver cost effective, best practice procurement.

My thanks are extended to all of the stakeholders without whose support and participation the consortium could not succeed.

**Mike Davies**

**HEPCW Chair**

## Procurement Manager's Report

### Introduction

**H**HEPCW provides support to 9 HE institutions within Wales and is well placed to support its members in the pursuit of institutional objectives. It represents sectoral views on strategic groups at an All-Wales Level and geographical views within the HE Sector Nationally. In a rapidly changing environment, HEPCW regularly reviews its objectives to ensure that these are aligned with those of its members.

Current HEPCW membership is:

Fig. 2

<b>Full Members</b>	<b>Associate Members</b>
<ul style="list-style-type: none"><li>• Aberystwyth University</li><li>• Cardiff University</li><li>• Cardiff Metropolitan University</li><li>• Swansea University</li><li>• University of South Wales</li><li>• University of Wales Trinity St David</li><li>• University of Wales, Registry</li></ul>	<ul style="list-style-type: none"><li>• Bangor University</li><li>• Coleg Gwent</li><li>• Coleg Sir Gâr</li><li>• Glyndŵr University</li><li>• Gower College Swansea</li><li>• HPC Wales</li></ul>

In the following sections the report covers the activities undertaken to support the Wales Procurement Policy Statement (WPPS) 2012 together with key data in respect of expenditure analysis. This includes the savings achieved through the use of collaborative procurement arrangements and details of expenditure incurred with Welsh based suppliers.

### Wales Procurement Policy Statement (2012)

**T**he Wales Procurement Policy Statement 2012 (WPPS) can be found at the following link <http://wales.gov.uk/about/cabinet/cabinetstatements/2012/welshprocurement/?lang=en>

The policy statements cover a number of activities that will be delivered at an institutional level and as such are outside the scope of direct HEPCW activity. In these instances, however, it is feasible that HEPCW will be able to support its members in the achievement of these obligations. Going forward, it is likely that requirements of the WPPS will have significant influence upon the activities undertaken by the consortium.

On a number of the policy statements, HEPCW has adopted and applies the principles where appropriate. These include:

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- completing Sustainability Risk Assessments for any procurement exercises undertaken
- consider the use of community benefits clauses in agreements where appropriate
- advertising opportunities on Sell2Wales
- maintaining and publicising a contracting timetable
- simplifying tendering processes
- developing lotting strategies which enable locally based and/or SMEs to submit bids where appropriate
- undertaking supplier engagement, including feedback and contract review meetings.

## Collaborative Procurement

Collaborative Procurement underpins the work of the consortium and the HE sector has embraced the philosophy that efficiencies can be achieved through a collaborative approach for the procurement of common and repetitive commodities. It is covered under principle 7 of the WPPS:

***“Collaboration – areas of common expenditure should be addressed collectively using standardised approaches and specifications to reduce duplication, to get the best response from the market, to embed best practice; and to share resources and expertise.”***

Collaborative procurement falls into 2 main approaches:

- Collaboration within the HE Sector
- Collaboration on an All Wales basis

Unsurprisingly, due to the nature of the commodities purchased, there is a degree of duplication of arrangements available on a HE Sector level and an All-Wales basis. It is acknowledged that for some commodities a HE Sector approach delivers better value than an All-Wales approach and the reverse also applies. A range of factors must be considered to determine which approach is the more suitable and HEPCW’s role is to ensure that member institutions are fully informed to support key decision making.

### i) HE Sector Collaboration

HEPCW continues to work effectively alongside its counterpart UK Universities Purchasing Consortia (UKUPC) and national groups, with which it enjoys progressive and successful relationships.

The UKUPC consists of:

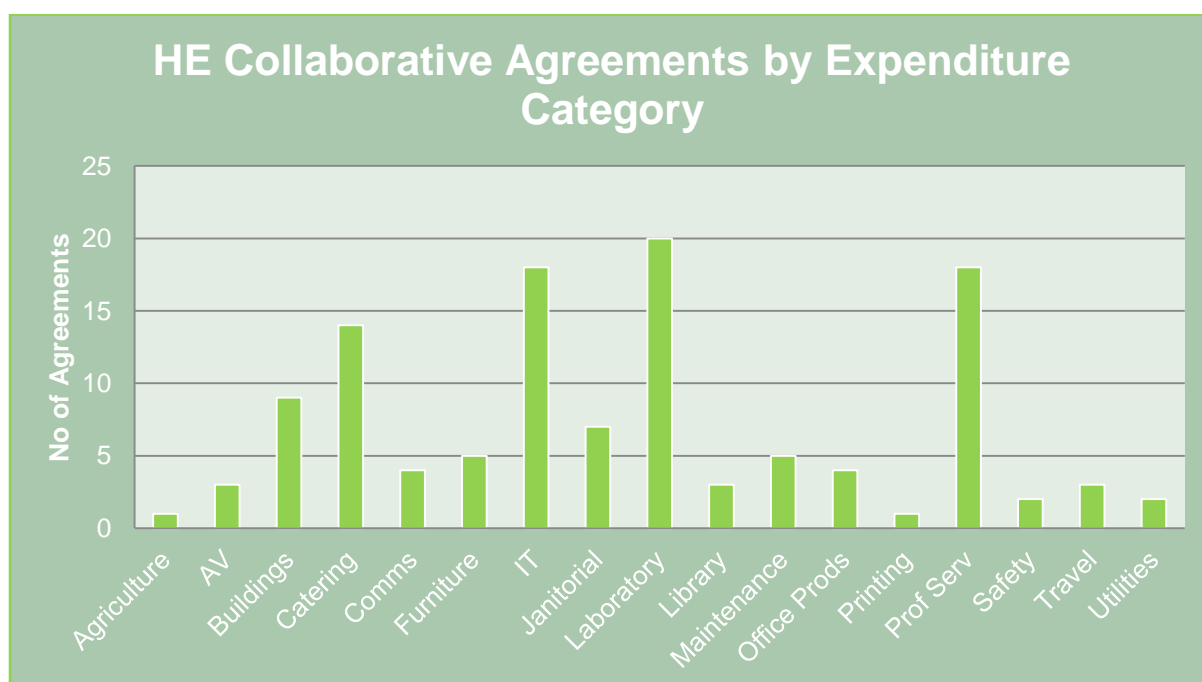
Fig. 3

- Advanced Procurement for Universities and Colleges (APUC)
- HEPCW
- London Universities Purchasing Consortium (LUPC)
- North Eastern Universities Purchasing Consortium (NEUPC)
- North Western Universities Purchasing Consortium (NWUPC)
- Southern Universities Purchasing Consortium (SUPC)
- The Energy Consortium (TEC)
- The University Catering Officers (TUCO)

Operationally, HEPCW manages a number of HE Sector National, inter-regional and consortium framework agreements and represents its members on a number of collaborative procurement arrangements, National Working Parties (NWP) and tender working groups. In order to maintain effective sectoral engagement it is important that HEPCW contributes to the national HE Sector collaborative programme.

During the review period there were 119 collaborative agreements managed by the UKUPC that were available to HEPCW members. The breakdown of agreements by category is provided below.

Fig. 4



Collaboration is not limited to arrangements which are managed within the HE Sector and during the course of the year, institutions have had access to agreements managed by a number of differing organisations, including but not limited to the Crown Commercial Service (CCS), Value Wales and/or National Procurement Service (Wales) and UK SBS (formerly the Research Councils). In some instances, these arrangements will have been formally adopted by the HE Sector as the preferred contracting arrangement.

## ii) All-Wales Collaborative Procurement

In November 2013 the National Procurement Service (NPS) Wales became operational. Its remit is to provide a centralised procurement service for Welsh public sector organisations for common and repetitive expenditure categories. Through the aggregation of demand, moving towards standardisation of specifications and adopting a “Once for Wales” procurement strategy, it is targeting annual savings of £25M for Welsh public sector expenditure. NPS activities will be conducted in accordance with the principles of the WPPS.

All of the Welsh HE institutions have signed up to the NPS, with the caveat that they are unable to commit to adopting every agreement which will be created by the NPS. For example, some categories within the scope of NPS are common and repetitive for other public sector organisations but are not relevant to the HE Sector activities. Furthermore there may some categories of expenditure where an alternative arrangement may provide better value, and/or align more closely with organisational objectives.

Details of expenditure placed and savings achieved through the use of NPS managed arrangements will be provided in future reports, as and when the data is available.

## Expenditure

Full members’ influenceable expenditure in 2013/14 was £321.4M. This includes all expenditure with suppliers greater than £2K. For the purposes of reporting, “influenceable” expenditure relates only to those areas where the procurement function can have a direct influence and thus payments such as salaries, statutory or legal payment, revenue and customs, etc have been excluded.

Fig. 5 provides a high level view of key expenditure data:

### Fig. 5 2013/14 Key Data

- £321M total expenditure (>£2k)
- £286M total analysed expenditure (>£10k)
- £75.3M (26.3% of total expenditure) placed through collaborative arrangements. This is an increase of 5% on the previous year’s performance.
- £69.9M expenditure incurred through HE Sector managed agreements (included in the £75.3M figure)
- £75.8M (26.5% of total expenditure) has been placed with Welsh based suppliers, 99.9% of which are Small and Medium-sized Enterprises (SMEs) – source <http://www.fsb.org.uk/stats>
- 26.3% of influenceable expenditure (including capital projects) placed through collaborative arrangements
- 37.6% of influenceable expenditure (excluding capital projects) placed through collaborative arrangements



A breakdown of total expenditure by institution is provided below. The data is presented by both actual spend per institution and expressed as a percentage of members' total expenditure.

Fig. 6

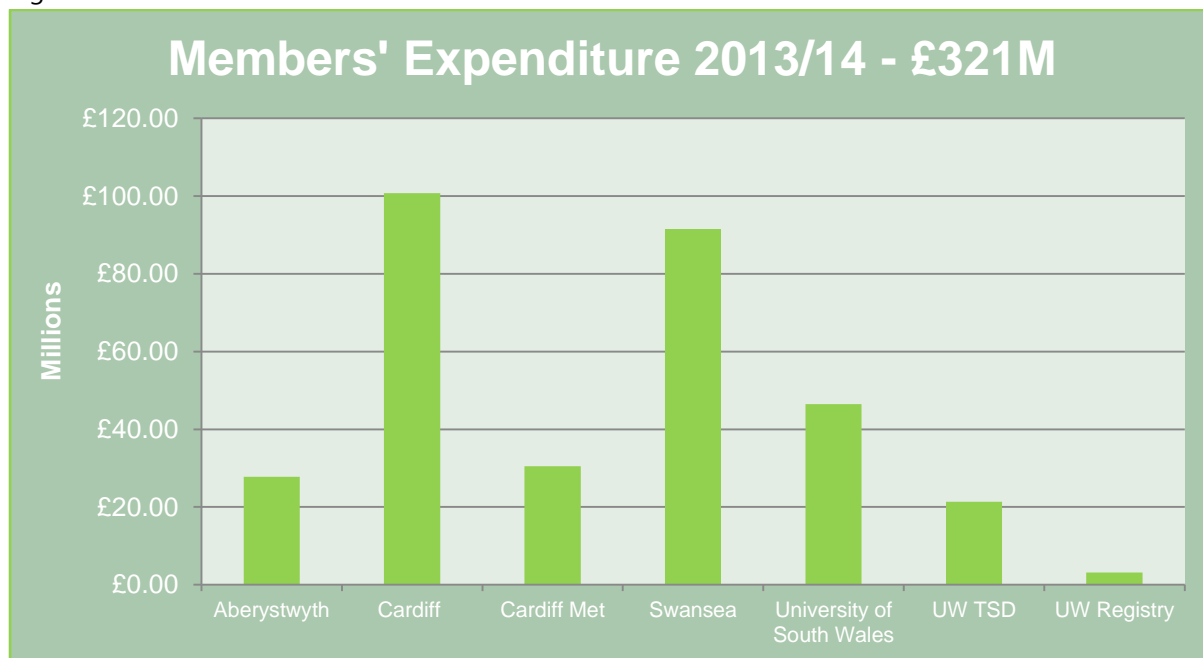
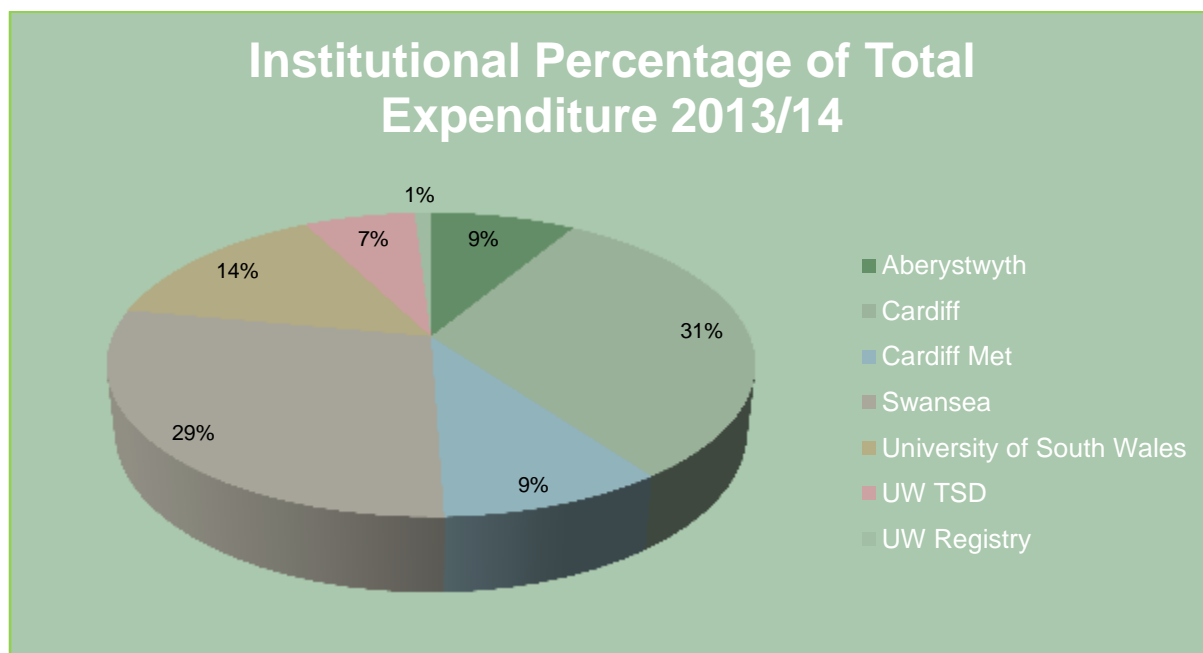
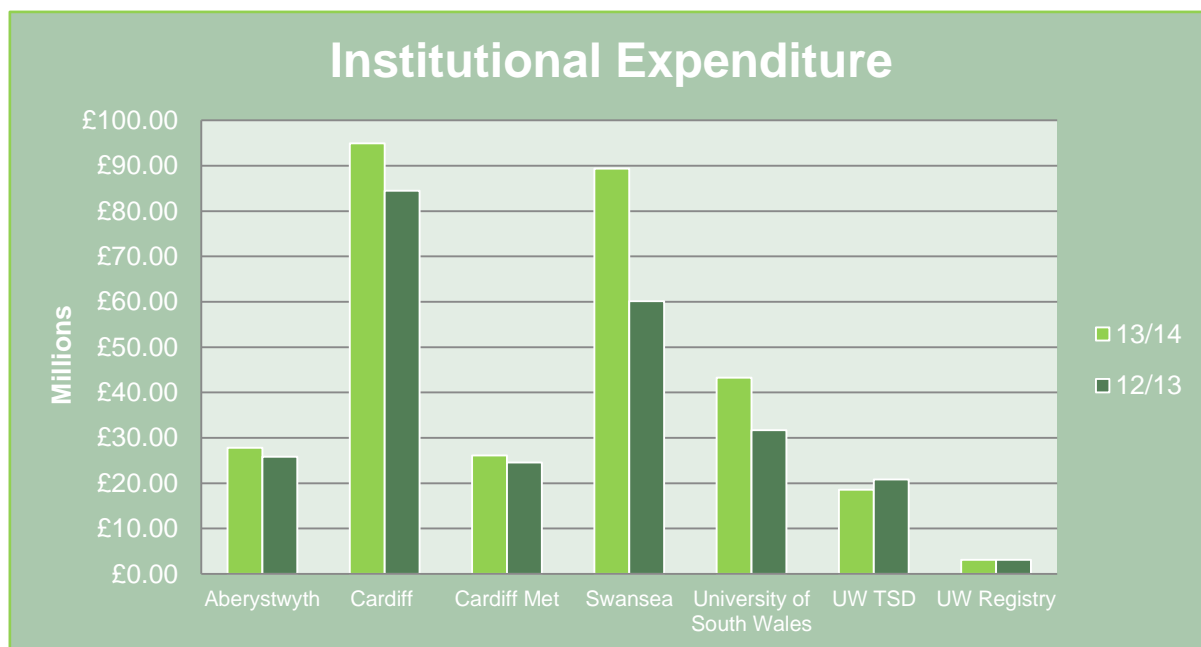


Fig.7



A comparison of members' expenditure for 2013/14 and 2012/13 is provided below.

Fig. 8



The majority of institutions have seen an increase in institutional expenditure compared with 2012/13. This is largely as a consequence of a number of large capital projects. In particular it is worth highlighting that Swansea University has reported a significant increase in expenditure and this is largely attributable to the construction of the new Swansea Bay campus, expected to be completed in time for the 2015/16 academic year.

### Spend Analysis

**F**or the purposes of this report all expenditure for any supplier which exceeds £10k has been analysed. This figure is £286.6M (89.1% of total expenditure) and is an increase of £36M (12%) on the previous year.

Fig. 9 below provides details of further details of each expenditure category, including the total expenditure for each category, and this expressed as a percentage of total expenditure. For comparison purposes, data for 2012/13 and 2013/14 are provided.

Fig. 9

Category	2012/13		2013/14	
	Actual (£M)	% of Total Spend	Actual (£M)	% of Total Spend
Audio Visual	3.4	1.4	5.9	2.1
Library Books & Publications	9.8	3.9	9.6	3.4
Catering (Equipment & Supplies)	6.0	2.4	6.4	2.2
Medical	2.0	0.8	2.2	0.8
Agriculture/Marine	1.4	0.5	1.6	0.6
Furniture & Furnishings	5.0	2.0	7.4	2.6
Janitorial	2.0	0.8	2.1	0.7
Utilities (Gas etc)	16.2	6.4	16.8	5.9
IT (Hardware, Software & Network)	20.7	8.3	22.4	7.8
Laboratory (Equipment & Supplies)	25.6	10.2	32.2	11.3
Workshop	2.4	1.0	3.1	1.1
Printing	3.2	1.3	2.7	0.9
Postal & Telecomms	4.4	1.7	4.4	1.5
Professional Services	36.6	14.6	27.1	9.5
Stationery and Paper	3.6	1.4	3.8	1.3
Travel (inc Hotels)	9.2	3.7	10.3	3.6
Security	3.3	1.3	3.3	1.2
Vehicles	0.4	0.2	0.4	0.1
Estates (Construction, Minor Works, Supplies and Safety)	93.3	37.2	122.0	42.7
Miscellaneous	2.1	0.8	2.1	0.7
<b>Total</b>	<b>250.6</b>	<b>100.0</b>	<b>285.8</b>	<b>100.0</b>

Fig. 10 below provides further information regarding expenditure placed through HE Sector managed collaborative arrangements in 2013/14. It also indicates the level of expenditure placed with Welsh based suppliers for each category. It is pleasing to report that both collaborative and Welsh supplier expenditure levels have increased in value compared with 2012/13 figures.

Fig. 10

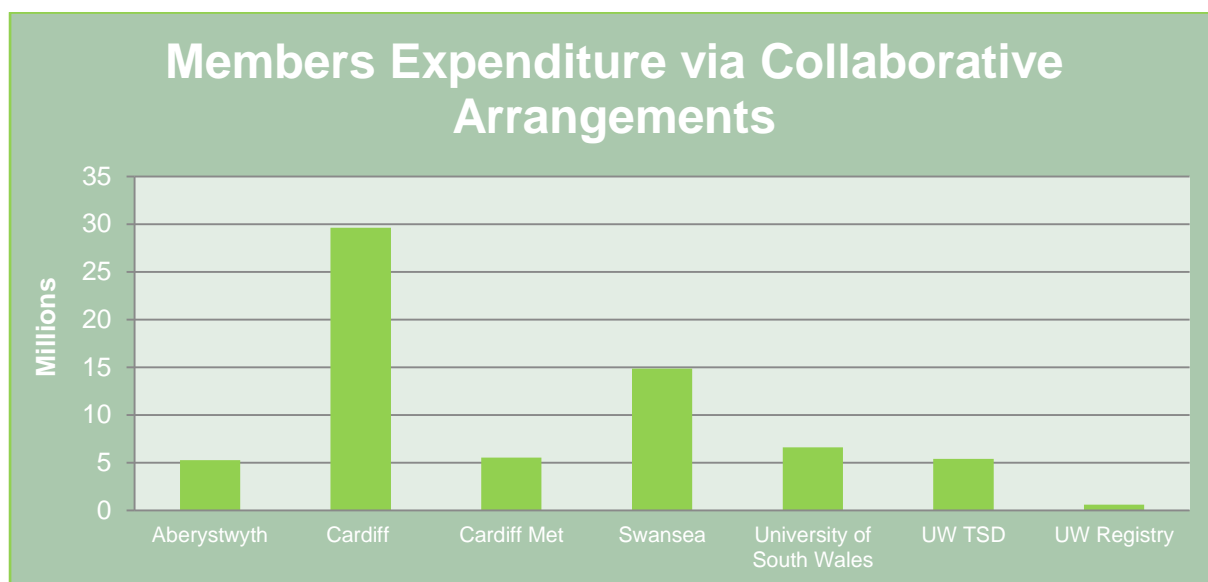
Category	2013/14			
	Actual (£M)	No of Collaborative Agreements	Spend via HE Collaborative Agreements (£M)	Spend with Welsh Suppliers (£M)
Audio Visual	5.9	3	3.5	1.1
Library Books & Publications	9.6	3	5.2	0.3
Catering (Equipment & Supplies)	6.4	14	4.1	3.0
Medical	2.2	-	-	0.6
Agriculture/Marine	1.6	1	-	1.1
Furniture & Furnishings	7.4	5	2.7	2.7
Janitorial	2.1	7	1.4	0.6
Utilities (Gas etc)	16.8	2	6.2	0.2
IT (Hardware, Software & Network)	22.4	18	12.0	3.1
Laboratory (Equipment & Supplies)	32.2	20	18.8	0.8
Workshop	3.1	5	0.7	1.0
Printing	2.7	1	0.9	2.3
Postal & Telecomms	4.4	7	3.3	0.1
Professional Services	27.1	18	3.1	8.0
Stationery and Paper	3.8	3	3.3	0.1
Travel (inc Hotels)	10.3	2	3.9	4.1
Security	3.3	1	0.2	0.8
Vehicles	0.4	1	-	0.1
Estates (Construction, Minor Works, Supplies and Safety)	122.0	9	0.6	45.4
Miscellaneous	2.1	-	-	0.4
<b>Total</b>	<b>285.8</b>	<b>120</b>	<b>69.9</b>	<b>75.8</b>

£75.3M was placed through **all** collaborative arrangements during the review period, representing 26.3% of total analysed expenditure. Expenditure through HE Sector managed arrangements was £69.9M.

If capital projects are removed from the analysis, which by their nature tend to be one-off projects and not suited to a collaborative approach, the collaborative spend increases to 37.6% of total expenditure. Based on this performance, indications are that HEPCW members will achieve the Diamond Report target of 30% expenditure through collaborative arrangements by 2016.

Fig. 11 below provides details of institutional expenditure via collaborative arrangements.

Fig. 11



All HEPCW members have adopted the use of purchasing cards as a means of managing low value spend. This aligns with the WPPS objective to simplify standard processes – *“procurement processes should be open and transparent and based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.”*

The majority of institutions have adopted the Welsh Purchasing Card (WPC) (provided through the VW e-Procurement Service programme). A total value of £13.8M was spent using the WPC, representing an increase of 9.4% on the 2012/13 performance statistics. Efficiency savings achieved by institutions through the use of the purchasing card will be reported in March 2015 as part of the annual efficiencies savings report process.

## Savings

The savings achieved by members through the use of national and inter-regional collaborative contracting arrangements can be found in Fig.12 below. All of the savings have been calculated in accordance with the national HE Sector agreed savings methodology. The use of these agreements delivered overall savings of £7.7M (11.2% of expenditure placed through HE managed collaborative agreements) in 2013/14. This does not include savings achieved through the use of non HE Sector collaborative agreements where savings figures are not available.

Fig. 12

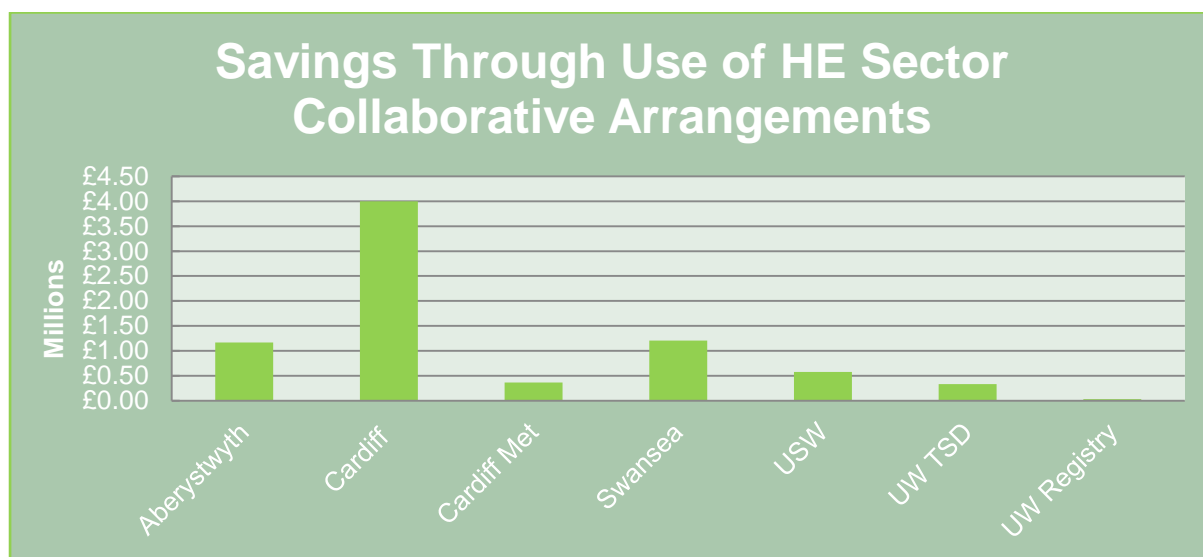


Fig. 13 below provides details of the institutional savings made through the use of HE Sector collaborative agreements, expressed as a percentage of each institution's expenditure incurred through these arrangements.

Fig. 13

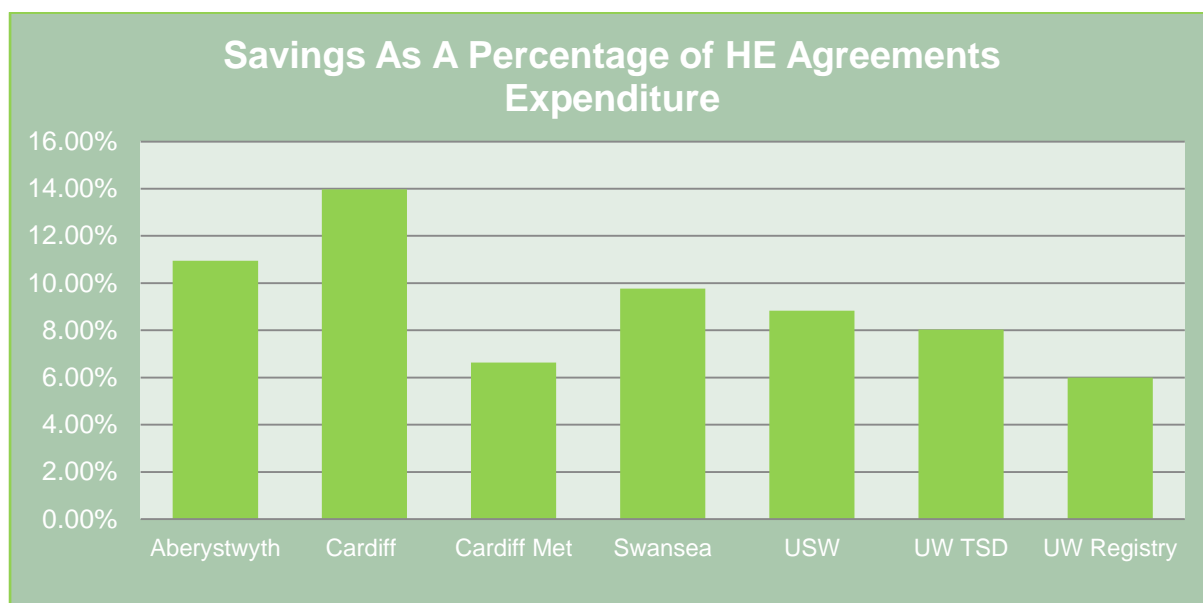


Fig. 14 provides details of total expenditure placed and savings achieved by HEPCW full members through the use of HE Sector collaborative arrangements.

Fig. 14

Category	2013/14	
	Spend via HE Collaborative Agreements (£M)	Savings via HE Collaborative Agreements (£M)
Audio Visual	3.5	0.2
Library Books & Publications	5.2	-
Catering (Equipment & Supplies)	4.1	0.3
Medical	-	-
Agriculture/Marine	-	-
Furniture & Furnishings	2.7	0.3
Janitorial	1.4	0.2
Utilities (Gas etc)	6.2	-
IT (Hardware, Software & Network)	12.0	1.1
Laboratory (Equipment & Supplies)	18.8	4.2
Workshop	0.7	0.2
Printing	0.9	0.9
Postal & Telecomms	3.3	0.4
Professional Services	3.1	-
Stationery and Paper	3.3	0.3
Travel (inc Hotels)	3.9	0.2
Security	0.2	-
Vehicles	-	-
Estates (Construction, Minor Works, Supplies and Safety)	0.6	-
Miscellaneous	-	-
<b>Total</b>	<b>69.9</b>	<b>7.7</b>

Any savings made through local contract arrangements or process efficiencies are reported on an institutional basis and are not included within this report.

## Staff Development

**H** EPCW has continued to participate in both the Higher Education Procurement Academy (HEPA) and VW Training Steering Group. Both seek to establish and develop appropriate arrangements to support the continued professional development of procurement practitioners in the HE Sector and

Welsh Public sector respectively. In addition, HEPA and the Procurement Best Practice Academy (PBPA) support the procurement profession through the acquisition and dissemination of best practice case studies. Links to web sites for both HEPA and PBPA are posted on the HEPCW web site ([www.hepcw.ac.uk](http://www.hepcw.ac.uk))

In 2014/15 the HE sector institutions will be participating in the Procurement Fitness Health Check (PFHC) exercise which is being managed by Value Wales. It is anticipated that the outcomes of these reviews will be used as a basis for identifying potentials skills gaps and opportunities for development. HEPCW will continue to promote both the VW and HEPA training programmes to its members to assist in addressing appropriate training requirements.

HEPCW members are encouraged to use the VW Competency Framework to support staff appraisals and inform the key requirements for personal development plans for procurement team members. It is acknowledged that whilst training may address some of the skills gaps, other activities may be required to suit the needs of the individuals.

## Marketing

The HEPCW website has been redeveloped and the new site – [www.hepcw.ac.uk](http://www.hepcw.ac.uk) - was launched in January 2014. I am grateful to the web development team at Cardiff University for their invaluable assistance in the design and redevelopment of the new site. It is hoped that the new site is more easily navigable for users, and provides appropriate information, either via the site or links to other useful sources for all stakeholders.



In April 2014, a suppliers' exhibition was held in Swansea University. Building on the success of the previous exhibition held in March 2012, the suppliers' exhibition provides an excellent opportunity for Universities' staff, academics and students to meet in a relaxed environment with a wide range of suppliers. All suppliers that have bid successfully for collaborative arrangements that are available to HEPCW members are invited to attend. With over 40 suppliers present and visitor numbers well in excess of 100, it is hoped that future events will continue to see similar high level of interest.

## Forward Look

As mentioned previously, the need to collaborate more widely and effectively is an area being pursued both at a national HE Sector level and from a Welsh perspective through the NPS initiatives. The requirements of the WPPS will have significant bearing upon the activities of the consortium going forward. This presents an interesting challenge and provides an opportunity for HEPCW to focus resources on the delivery of measurable objectives.

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Within a constantly changing environment, institutions will be required to respond to these challenges and HEPCW will continue to provide support so that this can be achieved. Key objectives for 2014/15 include

- Reviewing the HEPCW Business and e-procurement strategies
- the development of an activity plan to support the recommended actions proposed through the PFHC exercise, and
- the retendering of a number of collaborative framework agreements currently managed by the consortium.

## Acknowledgements

I would like to extend my thanks to all the officers who have continued to participate in the HEPCW commodity groups and represented the interest of the consortium within the NWP and the NPS Category Forums. A special note of thanks is extended to Megan Hopkins who provides invaluable support and knowledge in her role as HEPCW Administrator.

I should also like to thank both Mike Davies for his enthusiastic support and guidance in the role of HEPCW Chair.

**Howard Allaway**  
**HEPCW Procurement Manager**