



HIGHER EDUCATION PURCHASING CONSORTIUM, WALES – ANNUAL REPORT 2013



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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, and key achievements for 2012/13 include:

Fig. 1

- 15 new collaborative agreements awarded
- Access to over 100 HE Sector collaborative agreements
- £71M placed through collaborative agreements (28.5% of total influenceable spend)
- £48.M placed through HE Sector managed collaborative agreements
- 37% of expenditure placed through collaborative agreements excluding capital projects
- Savings of 4.8M achieved through the use of National and Inter-Regional Agreements
- £70.8M placed with Welsh suppliers (28.2% of total influenceable spend)
- A successful supplier exhibition held in Cardiff
- Adoption of a sustainable business model which ensures stability of membership fees
- Providing an interface with Welsh Government/Value Wales in respect of the adoption Welsh Government Procurement Policies
- Full engagement with HE Sector colleagues and other stakeholders to ensure sharing of information and best practice.

All of the achievements listed above, and others, will be covered in more detail elsewhere in this report.

Both within the HE Sector and at an All Wales level, the importance of effective collaboration has never been greater. This is highlighted through 2 key developments:

- The recommendation contained with the Efficiency and Effectiveness in Higher Education (the Diamond Review) 2011 that by 2016, 30% of non-pay expenditure incurred by the English HE Sector should be placed through collaborative procurement arrangements
- The creation of a National Procurement Service (NPS) in Wales which will be responsible for managing common and repetitive commodities. Through the pursuance of a "Once for Wales" strategy, it is hoped that the NPS will deliver significant savings through more

competitive pricing and reduce duplication of effort by the participating organisations. The new service is scheduled to go “live” from November 2013.

From a Welsh HE sector perspective, the period under review has seen significant change with the University of Glamorgan and the University of Wales, Newport merging in April 2013 to form the University of South Wales. Along with full merger of the University of Wales Trinity St David with Swansea Metropolitan University from August 2013, new challenges will inevitably arise for the new institution, with which HEPCW will strive to support. As a consequence of the mergers, the number of HEPCW member institutions will reduce and HEPCW is currently reviewing the governance and constitution of the consortium. Proposed changes to the constitution and governance will be discussed by the HEPCW Board in October 2013.

My tenure as HEPCW Chair commenced in June 2013, following the decision of the previous Chair, Denis Jones, to stand down. My thanks are extended to Denis for his leadership of the consortium along with best wishes for the future.

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

Mike Davies

HEPCW Chair

Procurement Manager's Report

Introduction

In previous annual reports, attention has been drawn to the challenging economic climate and its impact upon HE Sector activities. As a consequence there is an ongoing need for institutions to adapt to meet the demands of stakeholders and achieve value for money in the acquisition of goods and services.

The HE Sector landscape in Wales has undergone significant change and as a consequence of institutional mergers, a smaller number of, albeit larger, institutions have emerged. These developments, along with other factors covered elsewhere in this report, require HEPCW to review its objectives to ensure that these are aligned with those of its members.

HEPCW is well placed to support its members in the pursuit of institutional objectives, representing sectoral views on strategic groups both within the HE Sector Nationally and at an All-Wales Level. Operationally, HEPCW represents its members on a number of collaborative procurement arrangements and tender working parties. Current HEPCW membership is:

Fig. 2

Full Members

- Aberystwyth University
- Cardiff University
- Cardiff Metropolitan University
- Swansea University
- University of South Wales
- University of Wales Trinity St David
- University of Wales, Registry

Associate Members

- Bangor University
- Coleg Gwent
- Glyndwr University
- HPC Wales

Unsurprisingly, there is a degree of duplication across the work undertaken at a Sector level and an All-Wales basis. In certain instances, choices are made from the options available and thus members need to be fully informed to support key decision making and option selection.

Performance Against Objectives

In 2012/13, the specific time bound objectives listed below were achieved:

- ✓ acting as the HE Sector representative on the VW led National Procurement Service (NPS) Project
- ✓ providing Line Management and appropriate support for the trainee resource which had been secured from the VW Home Grown Talent Initiative, ensuring that project timescales and the trainee's personal development plan were achieved
- ✓ ensuring that any opportunities to secure additional resources via the Home Grown Talent pool were optimised through identification of new projects which could be supported.

In addition, all of the operational activities have been provided in accordance with the objectives.

Collaborative Procurement

Collaborative Procurement underpins the work of the consortium. Recent reviews of public sector procurement in Wales and within the HE Sector in the UK have raised the profile of collaborative procurement. Key outcomes of these reviews have delivered the following major recommendations:

i) the creation of a central purchasing body for Welsh Public Sector with responsibility for the procurement of common and repetitive expenditure categories - The NPS Business Case was approved in 2012 and all Welsh Public Sector organisations were invited to confirm participation in the new service in December 2012. It is pleasing to report that all of the Welsh HE institutions confirmed participation albeit subject to certain caveats. The NPS is due to be launched in November 2013, and through the latter half of the period under review, significant work has been undertaken to support the work of the NPS Project team. This includes:

- the sharing of information to support the development of the NPS work programme,
- participating in the Peer Review Group to consider opportunities for “early” wins as part of the contracting programme
- participating in the assessment centres as part of the staff recruitment process.

Our thanks are extended to the representatives from HEPCW member institutions who kindly offered their time to the exercises mentioned above.

ii) for the HE Sector in England, a target of 30% of non-pay related expenditure to be placed through collaborative arrangements by 2016 – HEPCW continues to work with its HE Sector stakeholders to support the achievement of this objective within the prescribed timeframe.

Notwithstanding the challenge to increase the level of expenditure placed through collaborative arrangements, HEPCW continues to work effectively alongside its counterpart UK universities

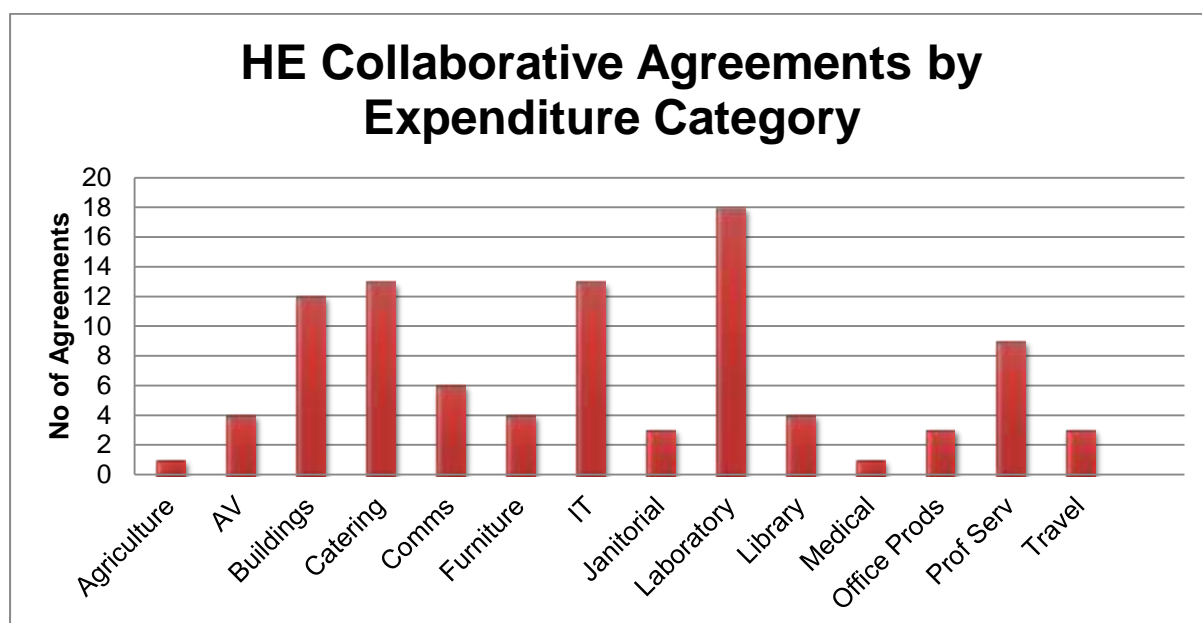
purchasing consortia (UKUPC) and national groups, with which it enjoys progressive and successful relationships. The UKUPC consists of:

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)

There are currently over 90 collaborative agreements managed by the UKUPC which 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 Government Procurement Service (GPS), VW and Research Councils. In some instances, these arrangements will have been formally adopted by the HE Sector as the preferred contracting arrangement.

It is pleasing to report that in 2012/13, £71.4M was placed through **all** collaborative arrangements, representing 28.5% of total expenditure. If capital works are removed from the analysis, as by their nature these tend to be one-off projects, the collaborative spend increases to 37.0% of total expenditure. Based on this performance, indications are that HEPCW members will achieve the 30% target by 2016. Expenditure through HE Sector managed arrangements was £48.4M.

The table below provides further information regarding expenditure placed through HE Sector managed collaborative arrangements in 2012/13. It also indicates the level of expenditure placed with Welsh based suppliers for each category.

Fig. 5

	2012/13			
	Actual (£M)	No of Collaborative Agreements	Spend via HE Collaborative Agreements (£M)	Spend with Welsh Suppliers (£M)
Audio Visual	3.4	4	1.8	0.8
Library Books & Publications	9.8	4	6.5	0.4
Catering (Equipment & Supplies)	6.0	13	4.1	2.4
Medical	2.0	1	-	0.5
Agriculture/Marine	1.4	1	-	0.2
Furniture & Furnishings	5.0	4	2.5	2.5
Janitorial	2.0	3	1.3	0.5
Utilities (Gas etc)	16.2	0	-	0.1
IT (Hardware, Software & Network)	20.7	13	8.6	0.8
Laboratory (Equipment & Supplies)	25.6	18	11.4	0.5
Workshop	2.4	0	0.5	0.8
Printing	3.2	1	-	2.5
Postal & Telecomms	4.4	6	3.6	0.2
Professional Services	36.6	9	1.4	7.6
Stationery and Paper	3.6	2	3.6	0.5
Travel (inc Hotels)	9.2	3	3.2	3.8
Security	3.3	1	0.1	0.8
Vehicles	0.4	0	-	0.1
Estates (Construction, Minor Works, Supplies and Safety)	93.3	13	0.2	45.4
Miscellaneous	2.1	0	-	0.4
Total	250.6	94	48.8	70.8

Expenditure

Analysis has been undertaken of all suppliers where the aggregate spend for all members has exceeded £10k. This analysis has identified influenceable spend (i.e., exclusive of salaries, statutory or legal payment, revenue and customs, etc.), of approximately £251M. This represents an increase of £59M (30.6%) on the 2011/12 figure.

Fig. 6

2012/13 Key Data

- £251M total expenditure
- £71.4M (28.5% of total expenditure) placed through collaborative arrangements. This is an increase of 5% on the previous year's performance.
- £48.8M expenditure incurred through HE Sector managed agreements (included in the £71.4M figure)
- £70.7M (28.3% 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>

A breakdown of total expenditure by institution is provided below.

Fig. 7

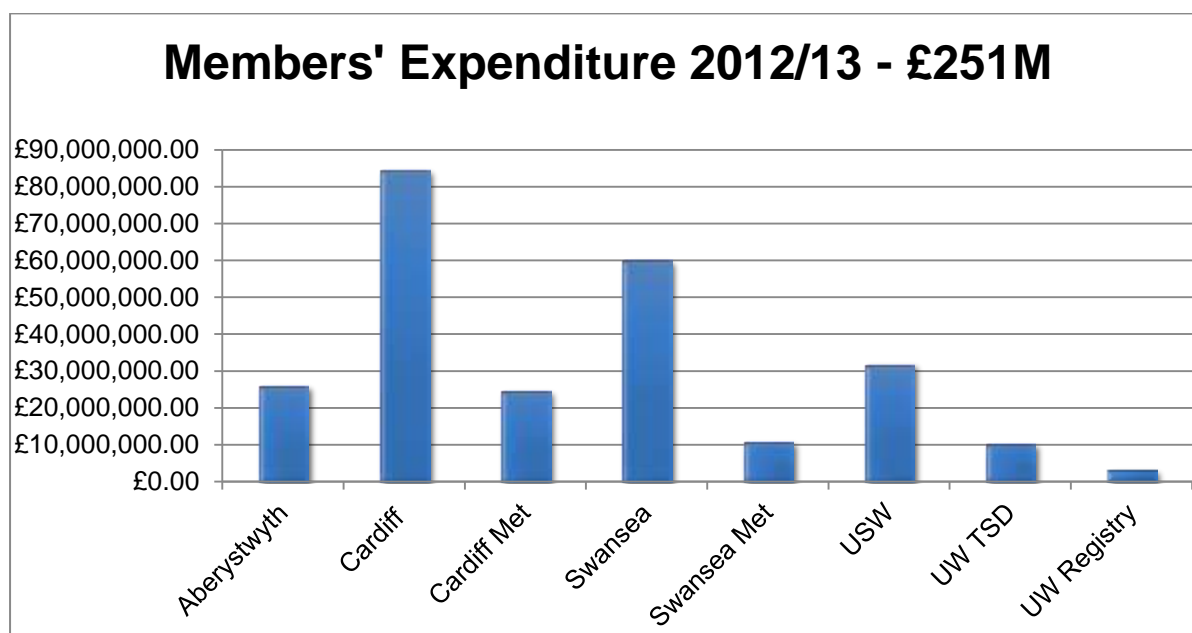
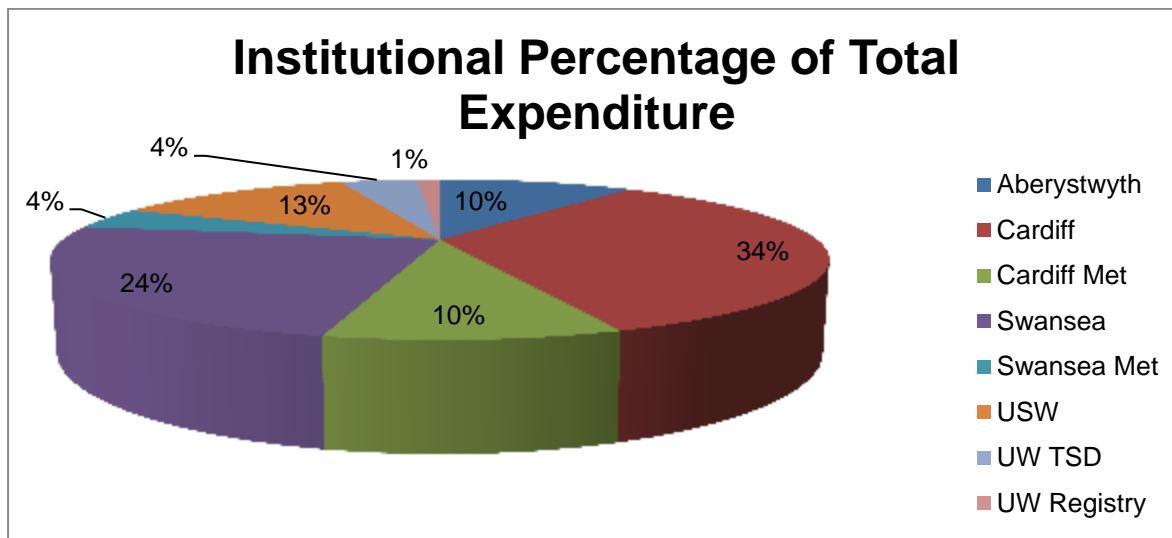
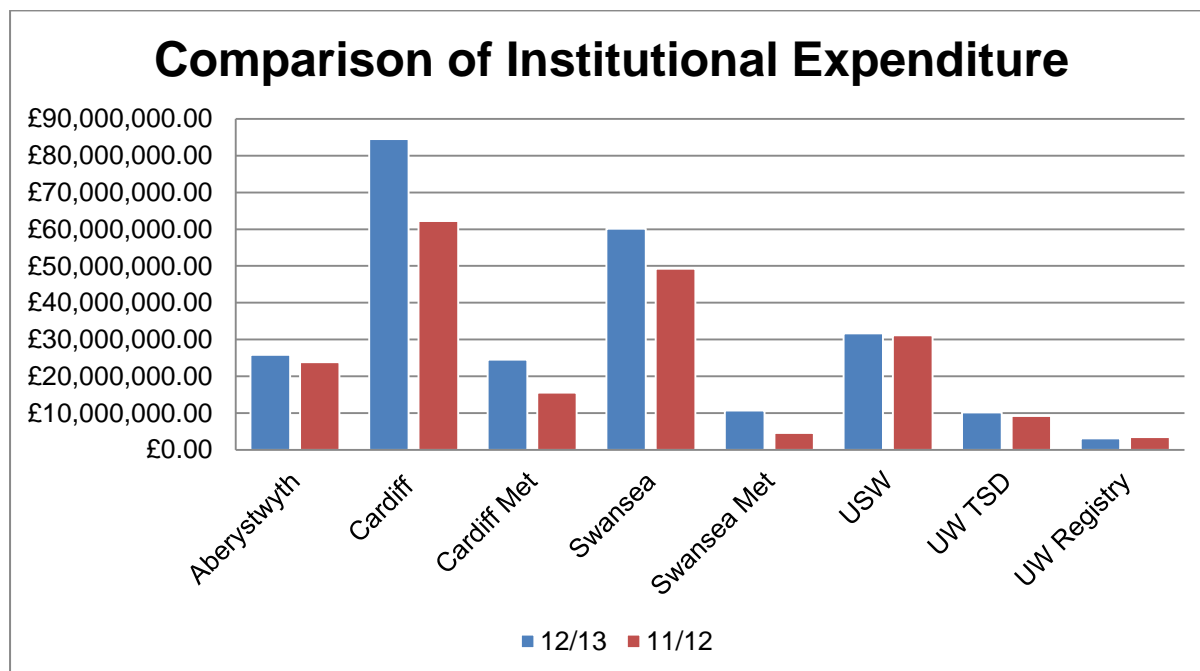


Fig. 8



A comparison of members' expenditure for 2011/12 and 2012/13 is provided below.

Fig. 9



The table 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 2011/12 and 2012/13 are provided.

Fig. 10

	2011/12		2012/13	
	Actual (£M)	% of Total Spend	Actual (£M)	% of Total Spend
Audio Visual	2.5	1.3	3.4	1.4
Library Books & Publications	8.5	4.4	9.8	3.9
Catering (Equipment & Supplies)	5.7	3.0	6.0	2.4
Medical	2.0	1.0	2.0	0.8
Agriculture/Marine	0.4	0.2	1.4	0.5
Furniture & Furnishings	4.4	2.3	5.0	2.0
Janitorial	1.8	0.9	2.0	0.8
Utilities (Gas etc)	12.2	6.3	16.2	6.4
IT (Hardware, Software & Network)	16.5	8.6	20.7	8.3
Laboratory (Equipment & Supplies)	20.3	10.5	25.6	10.2
Workshop	1.8	0.9	2.4	1.0
Printing	2.5	1.3	3.2	1.3
Postal & Telecomms	4.1	2.1	4.4	1.7
Professional Services	21.1	10.9	36.6	14.6
Stationery and Paper	3.6	1.9	3.6	1.4
Travel (inc Hotels)	8.8	4.6	9.2	3.7
Security	2.0	1.0	3.3	1.3
Vehicles	0.2	0.1	0.4	0.2
Estates (Construction, Minor Works, Supplies and Safety)	70.3	36.5	93.3	37.2
Miscellaneous	4.1	2.1	2.1	0.8
Total	192.8	100.0	250.6	100.0

Estates and Buildings and Professional Services remain the highest spend categories, the combined spend of both representing approximately 51.8% of 2012/13 total expenditure, compared with 47.4% for the previous year. These are 2 areas where opportunities for collaboration are relatively scarce, either due to the nature of the works, e.g. capital projects and existing mature institutional

arrangements. This position remains under constant review, however, to identify opportunities for further collaboration, and develop arrangements which meet stakeholder requirements in terms of local objectives and SME engagement.

Purchasing Cards

All HEPCW members have adopted the use of purchasing cards as a means of managing low value spend. The majority of institutions have adopted the Welsh Purchasing Card (provided through the VW e-Procurement Service programme). Over 75,000 transactions were undertaken in 2012/13 with a total value of £13.5M, representing increases of 7.0% and 9.4% respectively on the 2011/12 performance statistics. Efficiency savings achieved by institutions through the use of the purchasing card will be reported in March 2014 as part of the annual efficiencies savings report process.

Savings

Each year the HE Sector in Wales is required to submit details of annual efficiencies achieved to the WG, via the Higher Education Funding Council for Wales (HEFCW). I am pleased to report that, in March 2013, the sector was able to report savings of £17.4M for the 2011/12 academic year, representing 4.0% of total non-pay expenditure.

For the purpose of this report, the savings achieved by members through the use of national and inter-regional collaborative contracting arrangements can be found in Fig.11 below. I am pleased to report that the use of these agreements delivered overall savings of £4.8M (10.4% of expenditure placed through HE managed collaborative agreements) in 2012/13. This does not include savings achieved through the use of non HE Sector collaborative agreements where savings figures are not available.

Fig. 11

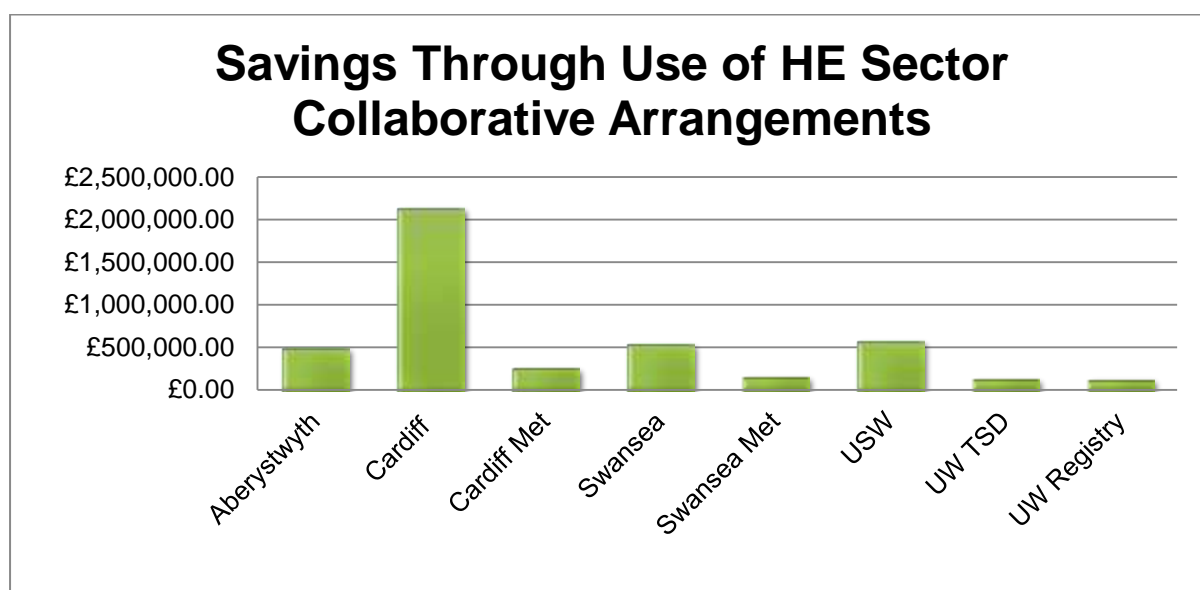
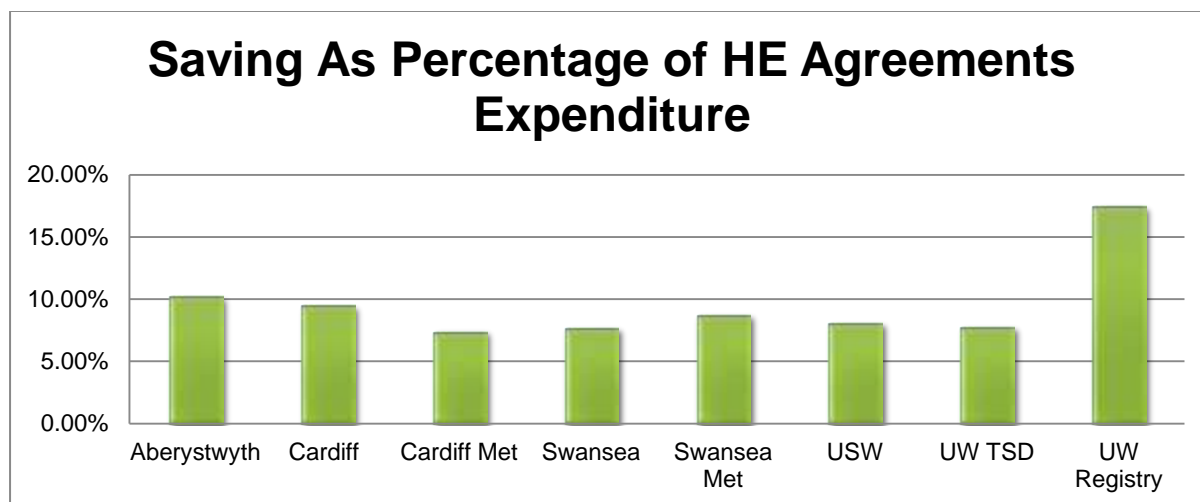


Fig. 12 below provides details of the institutional savings made through the use of HE Sector collaborative agreements, expressed as a percentage of expenditure incurred through these arrangements.

Fig. 12



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

During the review period, HEPCW has benefited from the additional resources obtained through the VW Home Grown Talent Programme. As part of the development plan the trainee undertook research to support analysis of professional services related expenditure, and gained valuable contracting experience through the retender of the HEPCW Confectionery Agreement. In addition the trainee provided assistance in the operational activities of the consortium. A bid for additional resources via the programme may be submitted when the next round of applications is advertised.

HEPCW has participated in both the Higher Education Procurement Academy (HEPA) and VW Training Steering Group. Both seek to establish and develop appropriate frameworks to support the continued professional development of procurement practitioners in the HE Sector and Welsh Public sector respectively. During the period under review, procurement exercises have been undertaken to identify training partners for both the HE sector and the wider Welsh public sector.

In addition to the above, VW has developed a procurement competency framework model in consultation with leading academics. Use of this model will enable managers to assess the professional competency of procurement practitioners in their organisation, and identify development opportunities to support the individual in their continued professional development and optimise potential. It is acknowledged that development opportunities will vary due to the needs of the individual and the organisation(s) and that further training is only one aspect.

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 VW initiatives. 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. One of the key objectives for 2013/14 is to review the HEPCW commodity group strategies to ensure that viable opportunities for collaboration amongst members are optimised.

From a Welsh perspective, the creation of the new NPS will provide a strategic vehicle for the procurement of common and repetitive items. This will present a radical change from the manner in which public sector collaborative arrangements in Wales have been delivered previously. Careful analysis is required to ensure that where the HE Sector engages in NPS led agreements that these contracting strategies offers a more beneficial approach than alternatives which are available.

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's and the VW commodity groups. 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 Denis Jones and Mike Davies for their enthusiastic support and guidance in the role of HEPCW Chair.

Howard Allaway

HEPCW Procurement Manager