



Higher Education Purchasing Consortium Wales

Annual Report 2016



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Chairman's Report and Executive Summary

HEPCW's constitution defines its mission as "Supporting Higher Education Institutions in Wales in achieving value for money for stakeholders through the adoption of a strategic approach to collaborative procurement".

Underpinning this mission is a clear objective 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. The Procurement Manager's Report will cover the annual performance in more detail, however key achievements for 2015/16 include:

Fig. 1

SECTOR HEADLINES

- 39 new collaborative agreements awarded [8 of which are managed by the National Procurement Service (NPS)]
- Access to 121 HE Sector and All Wales collaborative agreements
- £100.4M placed through collaborative agreements (33.9% of total impactable spend)
- £97.1M placed through HE Sector managed collaborative agreements – an increase of £23.2M (31.4%) compared with 2014/15
- Savings of £10.8M achieved through the use of HE National and Inter-Regional Agreements – an increase of £3.5M (47.9%) compared with 2014/15
- £89.0M placed with Welsh suppliers (27.6% of total influenceable spend) – an increase of £11.3M (14.5%) compared with 2014/15
- Providing an interface with Welsh Government/Value Wales in respect of the adoption of Welsh Government Procurement Policies
- Purchasing card expenditure in excess of £16M in respect of low value orders
- Full engagement with HE Sector colleagues, National Procurement Service (Wales) and other stakeholders to ensure sharing of information and best practice
- Managing a complex procurement process for a national HE Sector Framework Agreement

The above information demonstrate improvements in a number of key measures at both HE Sector and All Wales level.

The HE Sector in Wales continues to engage with Welsh Government's Procurement Division, Value Wales, and participates in a number of cross functional groups. The Welsh Government recognises the strategic value of procurement and in June 2015 a revised Wales Procurement Policy Statement was launched, presenting 10 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.

From a national political perspective, the outcome of the EU Referendum in June 2016 will no doubt have significant impact upon procurement in the future. The existing EU procurement rules are enacted in the UK as the Public Contracts Regulations ("PCR"). The PCR will continue to apply to public procurement after the UK completes its exit from the EU until such time as the PCR is repealed and superseded by alternative legislation. In the short term the decision to leave the EU is unlikely to result in procedural changes. However, early into 2016/17, it is apparent that 'Brexit' has initiated a change in supplier behaviour and price increases are being requested on the justification of exchange rate fluctuations. Exit from the EU however may create opportunities for procurement to be honed into a more effective vehicle for the delivery of Welsh Government Procurement Policy. A clearer picture will emerge as further clarity of the Brexit position becomes known.

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

This section of the report explores the procurement landscape in which HEPCW operates, and highlights the key achievements in respect of the Wales Procurement Policy Statement 2015 and the HE Sector collaborative procurement agenda. In addition the report provides key data in respect of expenditure analysis, levels of collaborative procurement and savings achieved through the adoption of collaborative procurement arrangements.

In pursuance of its mission, HEPCW provides full support to 7 HE institutions and services to 2 HE institutions and 3 Further Education (FE) colleges within Wales.

Benefiting from mature, effective networks within the HE sector and Welsh public sector, HEPCW is well placed to support its members in the delivery of institutional objectives. Operationally, it represents sectoral views on strategic groups at an All-Wales Level and regional views within the HE Sector Nationally. These services are delivered through a core team of 2 full-time personnel, supported by resources from the member institutions. This structure enables HEPCW to be agile and responsive, and align its objectives with those of its members.

HEPCW membership during the review period was:

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
Coleg Sir Gâr
Glyndŵr University
Gower College Swansea

Wales Procurement Policy Statement (2015)

In June 2015, the Minister for Government Business and Finance launched the Wales Procurement Policy Statement (WPPS), announcing 10 key themes that underpin the

objective of delivering value for money through public procurement in Wales. This is used as the key reference point for this report.

The new policy statement supersedes the first iteration published in 2012 and is a key influencing factor upon HEPCW's annual activity plans.

HEPCW has adopted and applies the principles of the policy statement where appropriate. These include:

- 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

Principle 7 of the WPPS 2015 states "areas of common expenditure should be addressed collectively using standardised approaches and specifications managed by the National Procurement Service (NPS) to reduce duplication, to get the best response from the market, to embed the principles of this Policy Statement for the benefit of Wales; and to share resources and expertise."

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. A number of opportunities for collaboration are available, but the most common approaches utilised by HEPCW members are:

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

A portfolio of collaborative arrangements drawn from all of the above approaches have proven to be effective within the HE Sector.

Fig. 3 provides an overview of expenditure placed through collaborative procurement arrangements in the period under review and 2014/15.

Fig. 3		
Type	2014/15 Expenditure	2015/16 Expenditure
HE Sector	£73.9M	£97.1M
All Wales	£2.1M	£0.5M
Other	£3.3M	£2.8M
Total	£79.3M	£100.4M

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

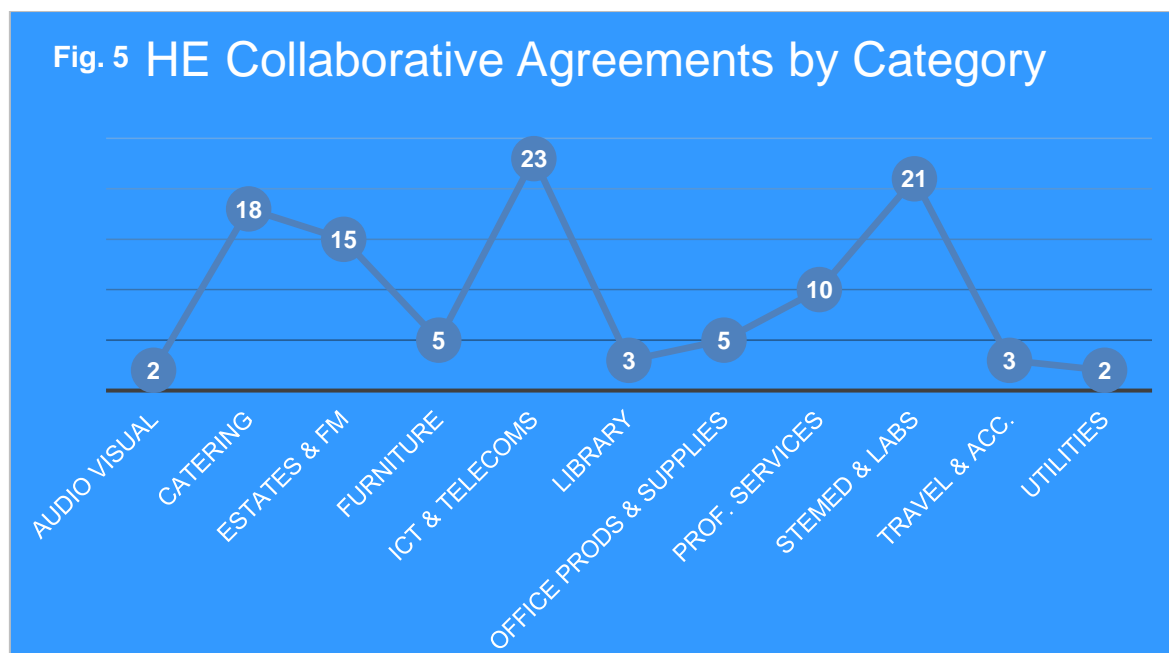
HEPCW works effectively alongside its counterpart UK Universities Purchasing Consortia (UKUPC) and national groups, with which it enjoys progressive and successful relationships. The joint contracting programme provides a comprehensive and mature collaborative portfolio, and includes commodities that are not within the remit of the NPS. The UKUPC consists of:

Fig. 4

- *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 107 collaborative agreements managed by the UKUPC that were available to HEPCW members. The breakdown of agreements by category is provided below.



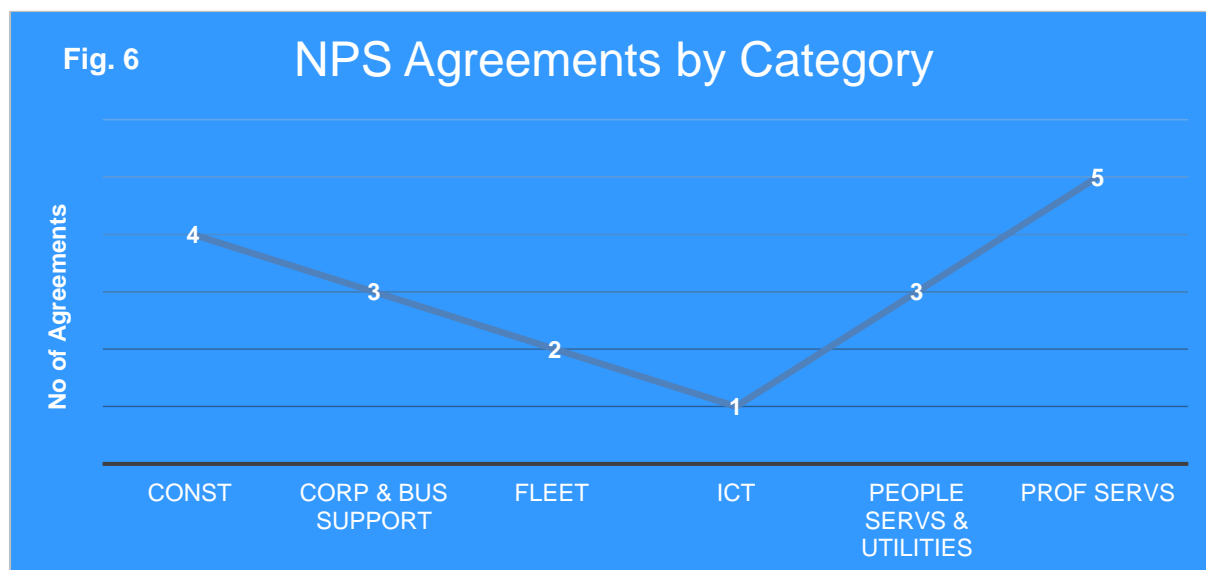
(Source: HE Contracts)

ii) All-Wales Collaborative Procurement

Since November 2013, the National Procurement Service (NPS) Wales has managed an All-Wales collaborative procurement programme for common and repetitively purchased commodities. Agreements let and managed by the NPS are available to all organisations in Wales that have signed up to support NPS and access its Agreements. All agreements let by the NPS embrace the relevant requirements of the WPPS.

The HE Sector, through HEPCW and its members, has representation on the NPS Board and Delivery Group, the latter of which oversees the delivery of the NPS Contracting Plan. In addition, HEPCW acts a key point of contact for the NPS Category Forums, and where appropriate will represent sectoral views on specific procurement opportunities.

During the review period, 14 agreements managed by NPS were used by the HE sector, with uptake distributed across expenditure categories as defined in Fig. 6 over the page. In the period under review, NPS awarded 8 new collaborative framework agreements. (Source: Sell2Wales)



(Source: NPS)

Details of expenditure placed through the use of NPS managed arrangements are provided in Fig. 3 in this report.

Procurement Fitness Checks

Principle 1 of the WPPS 2015 states “Procurement should be recognised and managed as a strategic corporate function that organises and understands expenditure; influencing early planning and service design and involved in decision making to support delivery of overarching objectives”. To achieve this, Welsh Government will “set out a ‘maturity model’, against which development of procurement can be measured across the Welsh public sector” and “Facilitate a Procurement Fitness Check Programme, to include a self-assessment model for eligible organisations”.

As previously reported, all of the HEPCW members engaged in the 2015 Procurement Fitness Check programme, and were assessed against the Maturity Model by external partners engaged by Welsh Government.

During the review period, all institutions were required to develop an action plan to address recommendations identified in each institutional report for submission to the Higher Education Funding Council Wales (HEFCW). A reporting regime has been established to monitor progress against the action plans. Progress updates are also provided to the HEPCW Board on a regular basis.

HEPCW continues to support its members in delivering the action plans and has created repositories for sharing key documentation and HE Sector contracting plans amongst the membership.

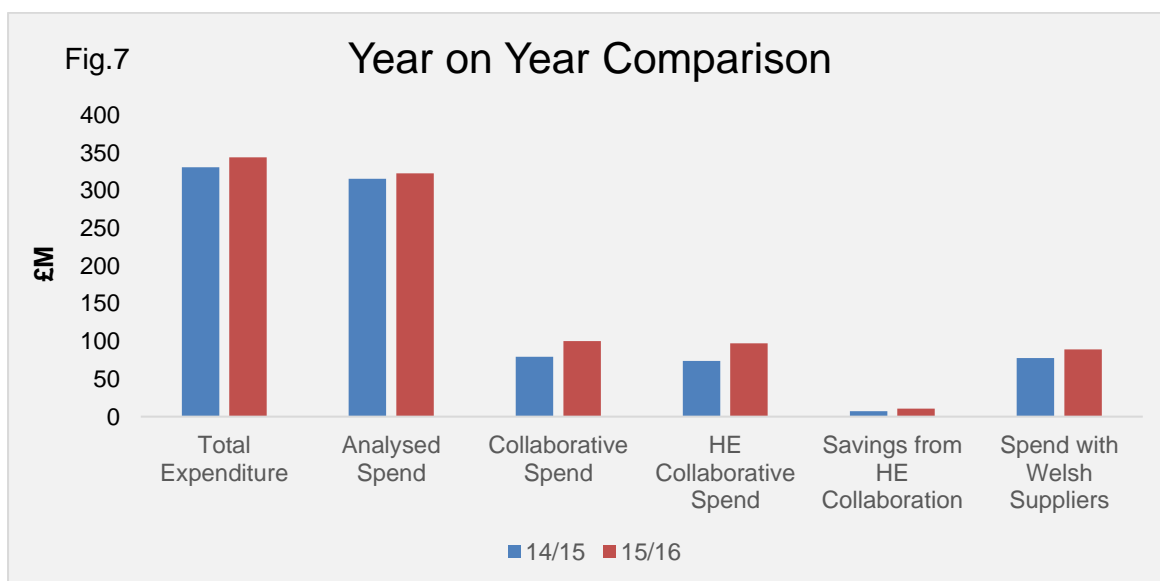
Expenditure Review

Overview

Full members' influenceable expenditure (where spend with a supplier exceeded £2k) in 2015/16 was £344M. This represents an increase of 3.9% above the previous year's expenditure.

(Please note that in the Category Spend Analysis Section of the report, analysis has been undertaken only of those suppliers where business has exceeded a threshold of £10k. This is purely as a result of the resources required to undertake the manual categorisation process. There are approximately 3,200 suppliers with spend of between £2k and £10k representing 6.3% of expenditure and 57% of the supplier base).

The chart below provides an overview of year on year performance for a number of key measurements. It is pleasing to report that in all areas, performance in 2015/16 has surpassed the achievements of 2014/15.

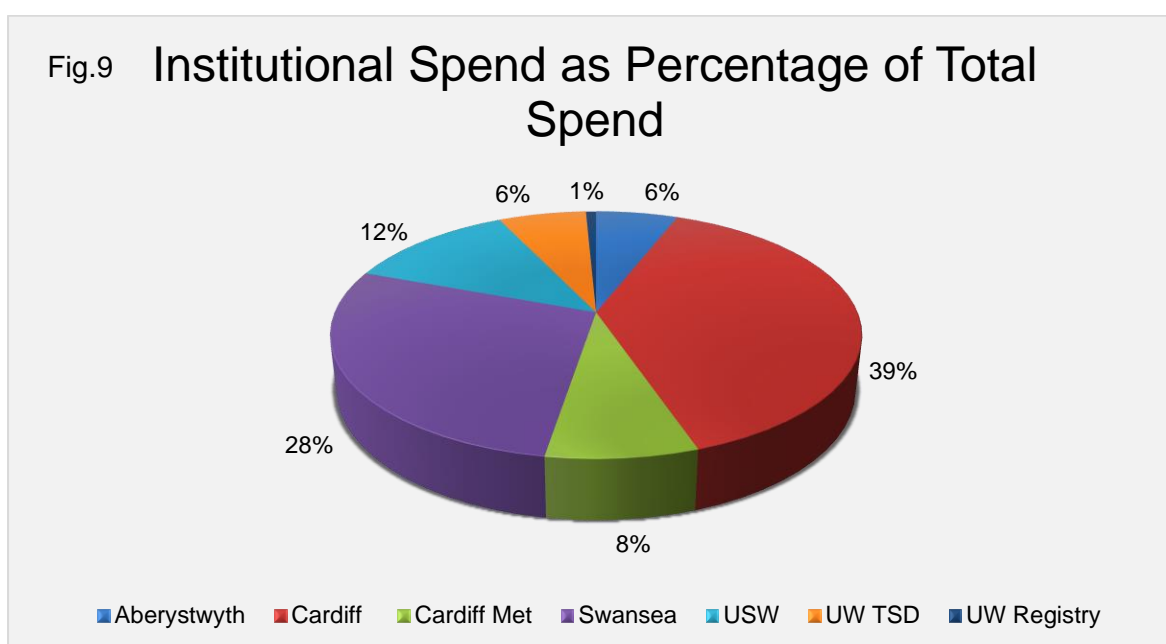
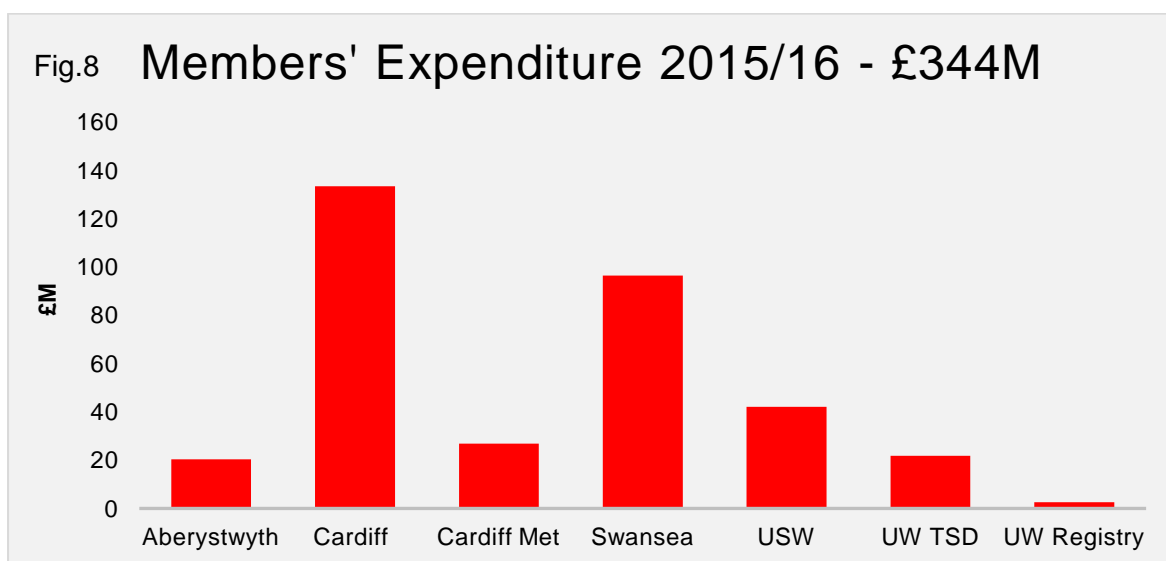


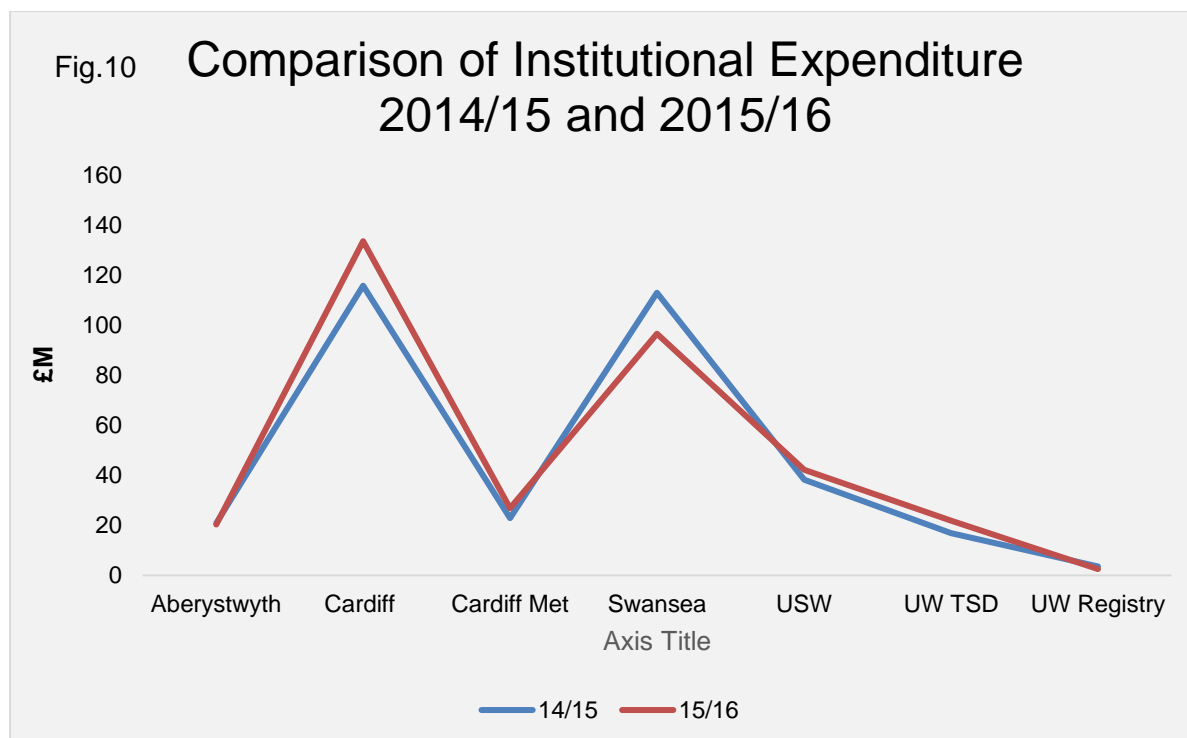
The following section of the report explores these areas in more detail.

Members' Expenditure

A breakdown of total expenditure by institution is provided below. The information is expressed by:

- i) Total spend per institution,
- ii) each institution's spend as a percentage of the total expenditure incurred by members, and
- iii) comparison of each institution's spend in 2014/15 and 2015/16





The majority of institutions have seen a slight increase in expenditure compared with the previous year.

Category Spend Analysis

For the purposes of this report all expenditure for any supplier which exceeds £10k has been analysed. This figure is £322.7m (93.7% of total expenditure) and is an increase of £6.9M (2.2%) on the previous year.

A breakdown of expenditure by category is provided in Fig. 11 below. For comparison purposes, data for 2014/15 and 2015/16 are provided.

Fig. 11

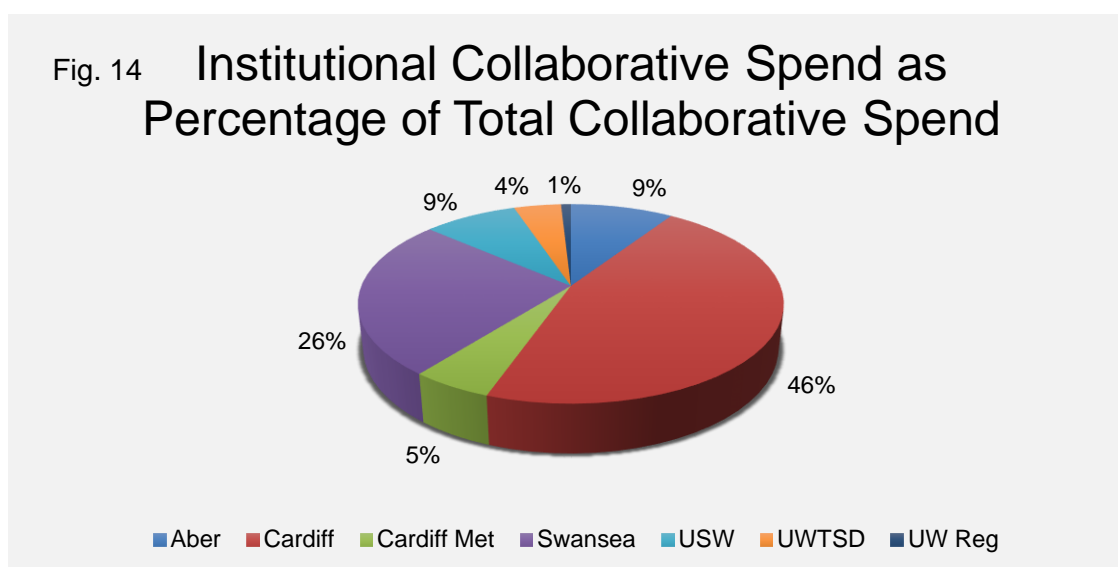
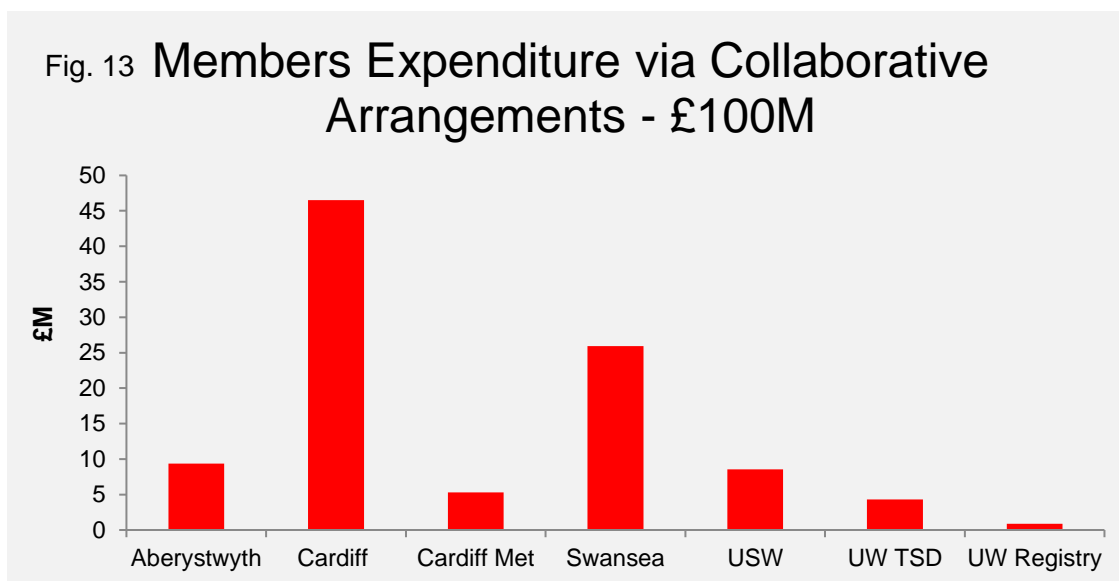
Category	2014/15		2015/16	
	Actual (£M)	% of Total Spend	Actual (£M)	% of Total Spend
Audio Visual	6.5	2.1	7.5	2.3
Library Books & Publications	10.8	3.4	11.3	3.5
Catering (Equipment & Supplies)	9.0	2.8	7.1	2.2
Medical	9.5	3.0	2.3	0.7
Agriculture/Marine	1.4	0.4	1.2	0.4
Furniture & Furnishings	6.4	2.0	8.3	2.6
Janitorial	3.0	0.9	1.7	0.5
Utilities (Gas etc.)	15.5	4.9	19.7	6.1
IT (Hardware, Software & Network)	28.0	8.9	29.2	9.1
Laboratory (Equipment & Supplies)	31.4	11.0	52.6	16.3
Workshop	5.3	1.7	7.1	2.2
Printing	3.5	1.1	3.7	1.2
Postal & Telecomms	4.0	1.3	5.3	1.7
Professional Services	40.0	12.7	41.5	12.9
Stationery and Paper	3.6	1.1	2.9	0.9
Travel (inc Hotels)	14.5	4.6	13.3	4.1
Security	1.8	0.6	5.3	1.7
Vehicles	0.5	0.2	0.6	0.2
Estates (Construction, Minor Works, Supplies and Safety)	119.3	37.7	93.0	28.7
Miscellaneous	1.8	0.6	9.1	2.8
Total	315.8	100.0	322.7	100.0

Fig. 12 below provides further information regarding expenditure placed through HE Sector managed collaborative arrangements in 2015/16. It also indicates the level of expenditure placed with Welsh based suppliers for each category. It is pleasing to report that expenditure through collaborative agreements has increased by £23.2M (31.4%) and with Welsh suppliers by £11.3M ((14.5%) compared with 2014/15 figures.

Fig. 12

Category	2015/16			
	Actual (£M)	No of Collaborative Agreements	Spend via HE Collaborative Agreements (£M)	Spend with Welsh Suppliers (£M)
Audio Visual	7.5	2	4.4	1.2
Library Books & Publications	11.3	3	5.3	0.2
Catering (Equipment & Supplies)	7.1	18	3.4	2.9
Medical	2.3	-	-	0.5
Agriculture/Marine	1.2	-	-	0.8
Furniture & Furnishings	8.3	5	5.7	6.7
Janitorial	1.7	-	0.5	1.2
Utilities (Gas etc)	19.7	2	7.2	3.5
IT (Hardware, Software & Network)	29.2	23	15.3	1.5
Laboratory (Equipment & Supplies)	52.6	21	33.6	0.6
Workshop	7.1	-	1.3	1.5
Printing	3.7	-	0.3	2.3
Postal & Telecoms	5.3	-	3.4	0.2
Professional Services	41.5	10	6.8	8.9
Stationery and Paper	2.9	5	2.6	0.0
Travel (inc Hotels)	13.3	3	5.3	4.5
Security	5.3	-	0.2	2.8
Vehicles	0.6	-	0.1	0.3
Estates (Construction, Minor Works, Supplies and Safety)	93.0	15	1.7	44.4
Miscellaneous	9.1	-	-	5.0
Total	322.7	107	97.1	89.0

Fig. 13 below provides details of institutional expenditure via collaborative arrangements.



The Diamond Report 2010 set a target of 30% of impactable expenditure to be placed through collaborative arrangements by 2016. Although the target applied to the HE Sector in England, HEPCW has supported the principles of this initiative and has reported performance in its annual reports since 2012. For reporting purposes, the baseline figure used to determine impactable spend is effectively the total influenceable spend figure minus capital projects. Based on this interpretation, capital projects accounted for £90.5M leaving an impactable spend total of £240.6M. Total collaborative spend represented 33.0% of impactable spend.

From 2016/17, it is hoped that spend analysis software can be utilised to undertake the spend categorisation exercise. This will not only deliver a more efficient process of categorising spend, but will also enable HEPCW to analyse all expenditure incurred with external suppliers. There is a consensus view amongst HEPCW members that there are benefits that can be delivered through the use of a common spend analytics tool. In addition, products that are available commercially

off the shelf may offer broader functionality that may be suitable for deployment at institutional level.

Purchasing Cards

All HEPCW members have adopted the use of purchasing cards, typically as a means of managing low value spend. This aligns with the Principle 6 of the WPPS 2015 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 Value Wales e-Procurement Service programme Expenditure in 2015/16 via the WPC was £16.1M, representing a small decrease of 1.8% on the 2014/15 performance statistics. Efficiency savings achieved by institutions through the use of the purchasing card will be reported in March 2017 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.15 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 £10.8M (11.1% of expenditure placed through HE managed collaborative agreements) in 2015/16. This represents an increase of £3.5M (47.9%) compared with 2014/15. This does not include savings achieved through the use of non HE Sector collaborative agreements where savings figures are not available. In addition any savings made through local contract arrangements or process efficiencies are reported on an institutional basis and are outside the scope of this report.

Fig. 15

Category	2015/16	
	Spend via HE Collaborative Agreements (£M)	Savings via HE Collaborative Agreements (£M)
Audio Visual	4.4	0.5
Library Books & Publications	5.3	0.1
Catering (Equipment & Supplies)	3.4	0.6
Furniture & Furnishings	5.7	0.3
Janitorial	0.5	0.1
Utilities (Gas etc.)	7.2	0.1
IT (Hardware, Software & Network)	15.3	1.2
Laboratory (Equipment & Supplies)	33.6	5.4
Workshop	1.3	0.4
Printing	0.3	-
Postal & Telecoms	3.4	0.6
Professional Services	6.8	0.5
Stationery and Paper	2.6	0.4
Travel (inc Hotels)	5.3	0.2
Security	0.2	-
Vehicles	0.1	-
Estates (Construction, Minor Works, Supplies and Safety)	1.7	0.4
Miscellaneous	-	-
Total	97.1	10.8

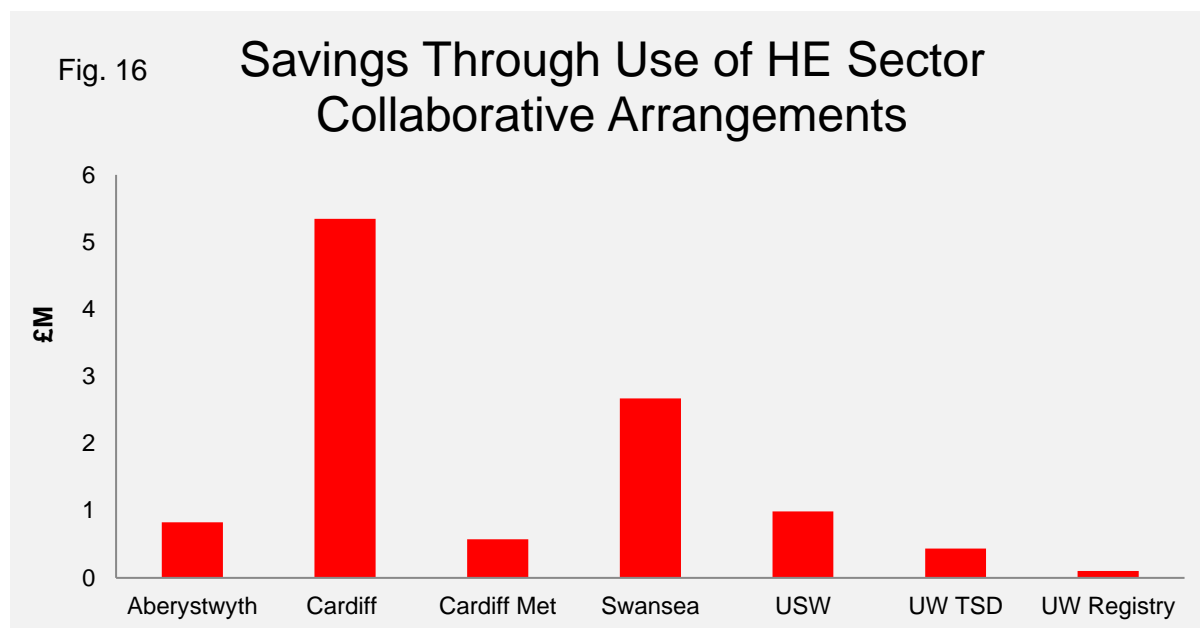
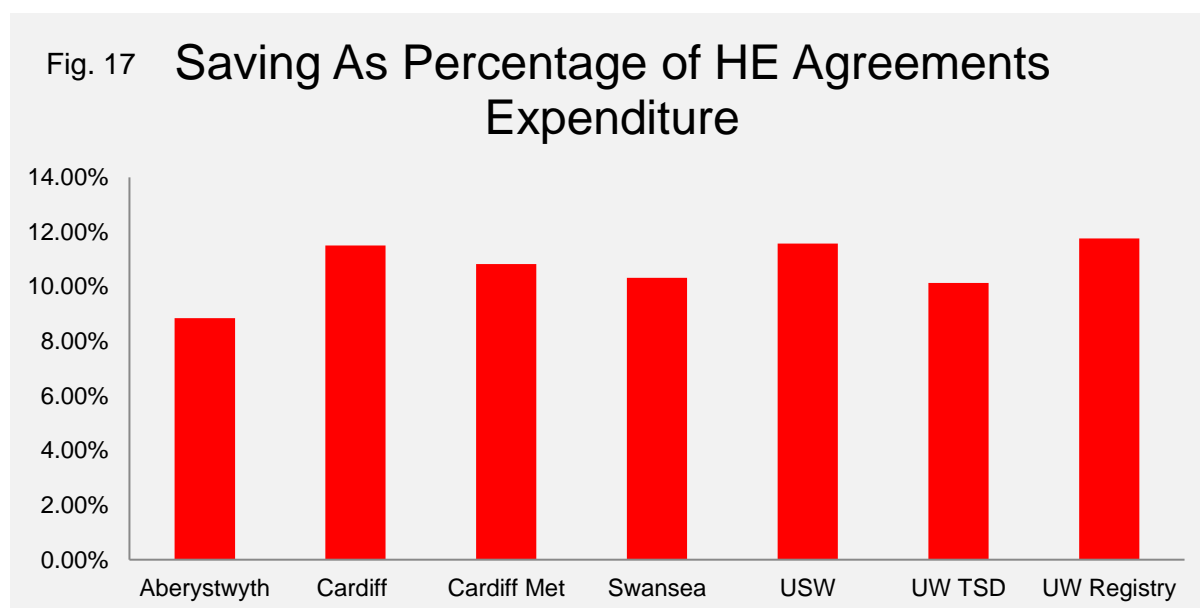


Fig. 17 below provides details of the institutional savings made through the use of HE Sector collaborative agreements, expressed as a percentage of each institution's expenditure incurred through these arrangements.



Collaborative Working

Although previous sections of the report have concentrated on collaborative contracting, there is a much broader portfolio of services that HEPCW provides for its members.

HEPCW's success depends on the close and effective engagement with its members and actively provides a range of support services and guidance for its members. From a governance perspective, all of the full members are represented on the HEPCW Board, and have an opportunity to input into the strategic direction of the consortium. Operationally, through the Procurement Heads Group and Category Groups, the views of the procurement professional and key users are shared. These forums provide excellent opportunities for provision of information, sharing of knowledge and procurement best practice, and constructive discussion.

HEPCW is taking an active role in supporting members in the delivery of the Procurement Fitness Check Action Plans. One of the key activities has been the creation of a repository of information that all members can access. This contains, amongst other information, details of the HE Sector joint contracting programme, examples of institutional policies and procedures, and case studies demonstrating procurement best practice.

HEPCW acts as an interface for the HE Sector in Wales both with the HE Sector nationally and on an All Wales basis. At a strategic level within Wales, HEPCW represents sector interests on the Procurement Board, NPS Board, NPS Delivery Group and Procurement Policy Development and Delivery Group.

For those issues that require consultation amongst the members, HEPCW will often manage this process and produce consolidated responses that reflect the views of the membership. This is often the case with matters relating to procurement in Wales. An example of this during the review period was the Consultation on Procurement Regulation undertaken by Welsh Government. HEPCW consulted with all of the member institution and submitted a single response on behalf of the sector.

HEPCW also provides its members with spend analysis services and management information regarding the use of and savings made from collaborative procurement arrangements. This information can then be used to inform internal reporting and the annual efficiencies return to the Higher Education Funding Council.

Contracting

As part of the support of the HE Sector Joint Contracting Programme, HEPCW undertakes collaborative tendering on behalf of the sector along with its UKUPC partners. During the review period, HEPCW has led the re-tender of the HE National Apple Equipment and Services Framework Agreement.

The agreement represents a significant area of expenditure for the sector, with annual requirements of circa £40M. As a result of the tender outcome, the sector has moved away from the previous direct single source model with the equipment manufacturer. The arrangement is now a multi-vendor arrangement with resellers with capability to provide a wider range of associated services than the original equipment manufacturer is in a position to provide. All of the resellers appointed are supplying to the HE Sector via alternative collaborative arrangements and thus there are opportunities for further efficiencies.

Benefits of the new agreement include competitive pricing and the provision of 3 years warranty at no extra charge for all hardware supplied. In addition, the equipment manufacturer works closely with the resellers and HEPCW to ensure that there is effective communication amongst the parties.

Staff Development

*Principle 2 of the WPPS 2012 states “**Professionally resourced** – procurement expenditure should be subject to an appropriate level of professional involvement and influence, adopting the initial benchmark of a minimum of one procurement professional per £10m of expenditure.”*

HEPCW has continued to promote staff development and draws on resources available within the HE Sector and on an All-Wales basis. At a strategic level, it is represented on the Higher Education Procurement Association (HEPA). Operationally, it promotes best practice and training opportunities available either through the HE Sector and Value Wales.

HEPCW members are encouraged to use an appropriate Competency Framework to support staff appraisals and inform the key requirements for personal development plans for procurement team members. Both HEPA and Value Wales support the use of the CIPS Global Standard for Procurement and Supply to assess professional competency. 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.

With regards to operational training delivered during the review period, HEPCW in conjunction with the NPS and Atamis, provided an introduction to the Spend Analysis software tool. The Atamis product has been procured by NPS in order to support the categorisation of expenditure incurred by Welsh public sector bodies. This data can then be used to support the development of the NPS category strategies. HEPCW has been granted a licence to use the tool to view the data submitted by its members to Atamis as part of this ongoing exercise.

Consultation on Procurement Regulation in Wales

In April 2016, the Welsh Government launched a public consultation exercise inviting views from stakeholders in respect of the introduction of legislation on procurement activity.

The following statement has been copied from the Welsh Government website.

“The purpose of this consultation is to provide an opportunity for interested stakeholders to contribute views and opinions regarding plans for the introduction of legislation on public procurement activity undertaken by the Welsh Public Sector. The “Welsh Public Sector” are contracting authorities whose functions are wholly or mainly Welsh devolved functions.”

On behalf of its members, HEPCW co-ordinated a formal response to the consultation exercise. These views were submitted in accordance and will be duly considered alongside the responses of other stakeholder groups, including both public and private sector organisations.

Shortly after the consultation period closed, and whilst the responses were being reviewed, the EU Referendum was held. As a consequence of the referendum result, no further decisions have been made as clarity regarding the legal framework that will operate once the UK has concluded its exit from the European Union is awaited.

Forward Look

We look forward to the challenges and opportunities for 2016/17, some of which are highlighted below.

HEPCW will be hosting the Conference on University Purchasing (COUP) in September 2017 at Swansea University’s Bay Campus. This prestigious event is the highlight event in UK HE sector procurement and significant resources will be required to complete all necessary arrangements in its preparation and delivery.

It is likely that the outcome of the EU Referendum will bring about change in respect of the legal framework in which public procurement operates. Consequently it is anticipated that there will be further dialogue both at an All Wales level and within the HE Sector Nationally to identify the opportunities that may arise and the challenges that will need to be faced.

With regards to operational matters, HEPCW will continue to manage the national and inter-regional agreements that it has awarded on behalf of the sector. In addition it will provide ongoing support to its members in delivering the Procurement Fitness Check Action Plans.

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 HE National Working Parties 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.

Special thanks and best wishes are extended to Rhidian Morgan, who retired from Swansea University in April 2016. Rhidian had fulfilled the role of Chair of the HEPCW Procurement Heads Group and provided invaluable support to the consortium during his tenure.

Howard Allaway
HEPCW Procurement Manager