

# Higher Education Purchasing Consortium Wales

Briefing Notes for the Enterprise and Business Committee – 17<sup>th</sup> June 2015

## Background

The Higher Education Purchasing Consortium Wales (HEPCW) is a non-legal body, supported by membership subscription, providing support to Welsh Universities so that the benefits of a collaborative approach to procurement are optimised. In preparing this briefing, the comments present a view from HEPCW and may differ from the independent views of its members. Evidence to support the views expressed where, appropriate, has been sought from amongst the membership and will be available by the date of the committee meeting.

### **Q1. *How has HEPCW procurement policy changed since 2012, and the extent to which this has been driven by the Welsh Government?***

HEPCW and its members have embraced the objectives of the Wales Procurement Policy Statement (WPPS) 2012 and they are all endeavouring to incorporate these within their own procurement policies and procedures and then implement them in practice.

The Higher Education (HE) sector is also trying to embrace the recommendations contained within the 2010 Diamond Review“ of Efficiency and Effectiveness within Higher Education. The review recommends a strategic approach to collaborative procurement and has set targets for expenditure via collaborative arrangements.

HEPCW is fundamentally focused on the provision of collaborative arrangements for use by its members. The sector benefits from a mature, established and successful collaborative procurement programme managed at a national HE Sector level through 6 regional purchasing consortia. Categories of expenditure covered by HE sector led contracts are broadly similar to those within the scope of the National Procurement Service (NPS). The HE portfolio however includes a number of additional categories which have a sector specific nature and there are some categories within the portfolio of the NPS which are of little or no relevance to HE institutions (HEI).

There is a desire by the HE sector to utilise collaborative arrangements, it is highly probable that neither the sector led or All Wales approach will offer the best solution in all instances, and thus the institutions need to have an opportunity to consider both and any other offerings available to determine which solutions best meets business requirements.

**Q2. *Your view, if any, of the strengths/weaknesses of Welsh Government procurement policy. Have any initiatives been particularly helpful/unhelpful?***

The Welsh Government's Procurement Policy has been effective in enabling sector organisations to review their processes and develop operational plans which strive to meet the policy objectives. The activities of the consortium are being developed to ensure that HEPCW can either meet the objectives itself, where appropriate, or support its members in the achievement of these objectives.

Key successes of the policy include:

- the development of the Supplier Qualification Information Database has proven successful in standardising the approach to supplier selection
- the provision of an All Wales Purchasing Card has enabled the majority of institutions to implement an effective process for low value ordering.
- the Sell2Wales website has been a success and many contracts have been awarded to Welsh SMEs as a result of contracts being advertised through Sell2Wales.
- There is evidence that spend with Welsh based suppliers and SMEs is increasing, this expenditure increased by 8% between 2012/13 and 2013/14. This will in many ways have been achieved as a result of using the Sell2Wales web site.
- The E tender system provided by Bravo Solution has also been of significant benefit to some members although some are using alternative tender processes.
- Use of community benefits clauses has achieved notable results (the new Swansea University Bay campus as an example).

One area of concern is the potential conflict amongst one or more objectives. By way of example, WPPS 5 which seeks to make opportunities more accessible to suppliers may not always align to WPPS 7 which highlights a desire for greater collaboration. The aggregation of demand to encourage competitive pricing may result in larger, nationally based suppliers winning business as they are able to optimise the benefits they have achieved through economies of scale. Sometimes this results in locally based SMEs losing business which they have held previously. It is a risk that requires careful management and consideration on a case by case basis but should be acknowledged that in some instances both objectives cannot be met.

**Q3. *What are the main barriers Welsh higher education institutions experience when looking to purchase goods and services for the public sector in Wales?***

Depending upon the specific commodity required, the barriers will differ. The European Procurement Directives provide a framework for the procurement of goods and services where the value exceeds published financial thresholds. Whilst the Directive provides clear guidance of the process to be followed, the Remedies Directive provides a process for suppliers to challenge processes and decisions and ultimately to set aside the award of the agreement. There is a need to demonstrate compliance with the process and to remove ambiguity from the evaluation. This creates a risk that Buying Organisations will focus upon compliance with a process rather than using the procurement to explore innovative approaches from bidders, which may deliver significantly better value.

**Q4. *How successful have Welsh Government initiatives to increase the proportion of third sector organisations/local companies/SMEs winning contracts been? How could these efforts be improved?***

The Welsh Government initiatives to increase expenditure with local SME's has been successful and expenditure with Welsh based suppliers by HEIs is increasing. In 2012/13 expenditure was £70.8m and this increased by approximately 8% to £75.8m in 2013/14. However it needs to be recognised that HEIs have significant expenditure for specialised research equipment where the supplier base is outside Wales.

With regards to the improvement of the success rate, it is difficult to quantify how this can be achieved. Processes have been implemented to remove barriers to potential bidders, such as increased use of SQuID, advertising opportunities via Sell2Wales, determining appropriate lotting strategies and including specific terms relative to community benefits and sustainable procurement factors. Whilst these have been successful to the extent demonstrated by the statistics regarding spend with Wales-based suppliers, it should be acknowledged that each requirement should be reviewed on its own merits to ascertain whether there is capability and capacity in the supply chain at a local/SME level to meet business needs.

**Q5. *HEPCW's views on the use of procurement policy to further other public policy objectives, as embodied in the Welsh Government's "Community Benefits" policy.***

HEPCW recognises that the Welsh Government's Procurement Policy can be an effective tool in the pursuit of wider public policy objectives. HEPCW and its members will continue to embrace the Welsh Government's Procurement Policy and implement these where appropriate.

### ***Procurement Fitness Checks***

All of the HEIs in Wales participated in the programme of Procurement Fitness Checks facilitated by Value in late 2014/early 2015. The sector welcomes this initiative as it provides an independent assessment of institutions' procurement and capability. The findings of the reviews will play a key role in supporting institutions in the development of strategies to deliver increased value through effective procurement. We would like to see this as a recurring exercise so that institutions can regularly measure progress.