

Advanced Procurement
for Universities & Colleges

**Annual Report
2009/10**

Contents

	Page
Introduction from Chairman	2
Review of operational activities	3
Summary of key actions and achievements	8
Annex A	
List of member institutions	10
Annex B	
Directors for the year ending 31 st July 2010	10

Introduction from Nigel Paul, Chair APUC

On behalf of the Board of APUC Limited, I am pleased to introduce APUC's Annual Report for the year 2009-10. It has been a year of significant change and progress.

In my introduction to the 2008-09 Annual Report, I noted the appointment of Angus Warren as Chief Executive of APUC in July 2009. As will be seen in this report, he has taken forward the reshaping and positioning of APUC with great energy and success. The key themes that could describe 2009-10 were: to significantly improve engagement and partnership with the sector, the SFC, and the government; to create a leaner more focussed structure; to deliver more contracts; and to identify further improvement opportunities across the sector

In taking this agenda forward, Angus visited all 62 institutions by December 2009, undertook a review of APUC's operations, and restructured the Operational Procurement team's operations in January 2010. This saw the introduction of a new client account management structure which has significantly improved relationships and ways of working together between APUC and its client institutions. Remodelling of the e-Procurement team then took place resulting in a leaner, more flexible 'e-Solutions' resource pool to support institutions going forward.

The visits to client institutions helped to inform APUC's Strategic Vision, produced in Q4 2009. It outlined how APUC would increase its scope of responsibility and outputs throughout 2009-10, within existing budgets.

In August 2010 the important milestone of all colleges and universities in Scotland being formally members of APUC was achieved. This demonstrates the longer term commitment to APUC on the part of the institutions.

By the end of July 2010 the restructuring of operational activities enabled APUC to have in place 96 collaborative contracts, creating more opportunity for institutions to realise benefits through the utilisation of effective contracts.

During the year, Procurement Capability Assessments were undertaken for every institution in Scotland. This has enabled improvement plans to be developed between the account managers and individual institutions. It also demonstrated that the sector is one of the leading sectors in Scotland as regards capability and compliance.

While APUC has improved service delivery for institutions throughout 2009-10, it has at the same time strengthened relationships with Scottish Government, the Scottish Funding Council, Universities Scotland and Scotland's

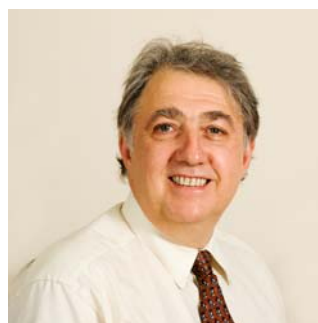
Colleges. I would like to thank colleagues from these bodies for their support during the past year of change and progress.

At the APUC Annual General Meeting in April 2010, the directors retiring by rotation, Patricia Briggs and Alan Williamson, were both re-elected. The three non-sectoral Directors, David Ross, Stuart Paterson and Douglas MacKellar, also remain in office, thus maintaining continuity of representation on the Board. The guidance and support provided by Board colleagues for the development of APUC is much appreciated.

I would also like to acknowledge the APUC staff for adapting to the challenges and changes presented over the past year, and for providing excellent service to client institutions based on outstanding professionalism and teamwork. I am delighted that the APUC team's efforts have been recognised in the Government Opportunities (GO) Scotland Awards 2010, with finalist status in four award categories including Best Team of the Year, Sustainability/CSR Initiative of the Year, Best Service, the John F McClelland Collaborative Procurement Initiative of the Year, and the Best Service Award, the latter nominated by Jim Godfrey, the leader of Scotland's Colleges Finance Community of Practice. This achievement acknowledges the significant progress APUC has made over the past year.

Looking ahead, there will be significant financial challenges for the sector as a result of the Comprehensive Spending Review. Effective procurement has an important contribution to make since better and increased collaborative and professional contracting will save cost. It is also clear from Sir Phillip Green's Efficiency Review that ineffective procurement is likely to be increasingly exposed and highlighted in the public domain. APUC will aim to build on the achievements this year by taking forward, in partnership with institutions, the themes of effective engagement, lean operations, increased contacting and benefit delivery, and improving capability.

The 2009-10 Financial Statements and associated reports are available on the APUC website at www.apuc-scot.ac.uk/home.htm



Review of operational activities August 2009- July 2010

Two critical strategic issues that were addressed by APUC during 2009-10 were the:

- Review of operations; and
- Increased engagement with client institutions.

Operational Review

The review was conducted from July 2009 and resulted in the restructure of the Collaborative Procurement function, which became Operational Procurement, including the College Services and Capital team. Staff commenced working under the new structure with revised job descriptions from January 2010.

A key component of the new ways of working was the introduction of a client account management model, where each institution was allocated a dedicated Account Manager. The new model has been a resounding success, validated by feedback received in a client satisfaction survey that was conducted during July 2010.

Following the review of the Operational Procurement and College Services teams, the e-Procurement team also underwent changes to improve the efficiency of its operations. Training in each of the functions comprising e-Procurement and Data Management was given to the whole team, providing a more flexible resource support for institutions. Furthermore, continuity planning was conducted with a view to the team reaching its conclusion for implementation of the eProcurement Scotl@nd (ePS) service by Q3 2010. The team has moved towards providing a leaner model for ongoing support for institutions under the banner of 'e-Solutions'.

By November 2009, the operational review was well under way and APUC was reviewed by John F McClelland CBE, Chair of the Scottish Funding Council, as part of a review he was conducting into the operations of all of the collaborative procurement Centres of Expertise. John submitted a positive report to the Public Procurement Reform Board on 17 November 2009 on the changes taking place within APUC and its interaction with universities and colleges. As well as referring to the e-procurement implementations achieved by APUC to date as "outstanding", John noted that "recent changes within APUC's approach and considerable effort and consultation have moved the collaborative agenda forward." He added: "A new operating mode has been established which is planned to consolidate upon and further extend collaborative activity, specifically tailored by the new Chief Executive for the further and higher education sectors."

Client Engagement

Concurrent with the review and restructure of its operations, APUC increased engagement with its client institutions through face to face meetings, conducted primarily by the Chief Executive and Account Managers. This approach has allowed APUC to provide a tailored service for each institution that better meets specific needs.

Furthermore, Procurement Capability Assessments were conducted with the 62 institutions over the period October 2009 – April 2010, which allowed APUC and institutions to gain invaluable insight into procurement strengths and development needs, both on individual and collective levels. Respective roles and responsibilities were identified - both for institutions and APUC - as well as why, how and when to make improvements in procurement capabilities.

While institutions were given new communications methods by which to provide feedback to APUC on its services and performance, a further feedback mechanism was implemented in July 2010 by way of an anonymous online survey. APUC scored well in most areas surveyed, particularly with regard to providing a flexible account management service and providing an expert, ad hoc procurement tender support for smaller institutions. There was also good recognition of the fact that APUC provides e-procurement support and representation.

To further demonstrate the fact that APUC has succeeded over the period in increasing client engagement, APUC significantly increased its membership to July 2010 (reaching 100% membership by August 2010). It is now clear that APUC is working as one team with its client institutions to maximise the contribution that advanced procurement makes to Scotland's investment in teaching, research and knowledge transfer such that institutions can deliver more with the funds that they have available.

Client Account Management

The key benefits of the account management approach have included:

- Stronger relationships between APUC and institutions.
- Targeted two-way communications exploring current and future requirements of individual institutions.
- Increased understanding of processes for reporting Best Practice Indicators (BPIs) and conducting Procurement Capability Assessments (PCAs).
- Faster resolution of queries and issues through direct contact with a named Account Manager.

- Tailored frameworks to assist local collaboration – for example, the Lifts Maintenance Framework included local Councils, Police and NHS Boards.
- Facilitation of direct liaison with end users in institutions' schools and departments, to better support institutional procurement.
- Development and delivery of 'Deal Sheets' to provide concise information on each framework.
- Improved roll-out and uptake in frameworks and contracts.
- Increased measurements of contract uptake and compliance.
- Resource and cash savings through APUC's involvement in institutional projects.
- 20 tenders completed, resulting in cost avoidance of around £255,000, in addition to the price savings achieved.

Operational Procurement

During the reporting period, APUC supported the implementation of eight national Procurement Scotland-led Category A contracts with an annual value of £74,009,021.

Overall, by the end of 2009-10, the contracts led, jointly-managed or facilitated, with Buyers Guides in place, available for use by institutions, had risen to 96 as shown in Fig 1, The number of contracts far exceeded the target outlined in the Strategic Vision of having 50 contracts available by April 2010.

Internal reporting capability for the additional jointly managed contracts that APUC has introduced to the sector was developed.

In terms of leading, jointly facilitating and making validated contracts available to institutions, APUC have delivered increased availability of contracts by around 400% compared to the previous reporting period.

- Fig 1
- Video Conferencing;
 - Audio Visual Equipment;
 - Audio Visual Consumables;
 - Photographic Equipment and Consumables;
 - Supply of Audio Visual Equipment (Audio Visual Equipment, Purchase, Maintenance, Repair and Hire);
 - Bottled Water/Water Coolers;
 - Dairy Products;
 - Fresh Fish and Seafood;
 - Supply of Fresh Butcher Meat;
 - Fresh Fruit and Vegetables;
 - Water Coolers (Pan-Government) – Plumbed In;
 - Beverage Systems and Associated Products;
 - Vending Machines;
 - Bakery (Wholesale);

- National Desktop and Notebook Agreement (framework HE);
- IT-Related Accessories and Parts;
- Supply (and Installation) of Microcomputers with Apple Operating Systems;
- Microsoft Licence – Campus Agreement;
- Printers and Peripherals;
- IT Hardware Maintenance;
- Servers and Storage;
- Network Equipment;
- Uninterrupted Power Supply;
- IT Hardware – Mobile and Desktop (PS);
- Supply of Plumbing and Heating Consumables;
- Provision of Lift Maintenance Services;
- PAT Testing;
- Decorators Materials (Goods);
- Air Filters;
- Automatic Meter Reading;
- Signs/Signage;
- Textiles and Window Coverings;
- Supply and Delivery of Floor Coverings;
- Sports Equipment/Vocational;
- White Goods;
- General Furniture Buying Solutions;
- Bedding and Bathroom Textiles and Accommodation Packs and Window Coverings;
- Insurance – Commitment Contract;
- Cleaning Materials and Disposable Paper Products;
- National Contract for the Supply of Footwear, First Aid Equipment, Clothing, Safety and Maintenance and Personal Protection Equipment;
- Recycling Bins;
- Sanitary Disposal and Related Services;
- Hand Dryers;
- Laboratory Consumables;
- Electronic Components;
- Microscopes and Imaging;
- Solvents, Alcohols, Acids and Dueterated Solvents;
- Industrial Gases;
- Laboratory Equipment (Purchase);
- Mass Spectrometry and Chromatography Equipment;
- Radio chemicals;
- Pipette Service and Repair;
- Fine Chemicals;
- Library – Security Including RFID;
- Supply and Delivery of Library Periodicals;
- E-books;
- Supply of Print Books and Standing Orders;
- International Airmail;
- Import Express;
- Franking Machines;
- Same Day Delivery;
- Transport of Dangerous Goods;
- UK and Overseas Parcels;
- Supply of Electrical Sundries;
- Supply of Timber Products;
- Supply of Building Materials;
- Healthcare Student Uniforms;
- Computer and Stationery Supplies Agreement;
- Postal Services;
- Courier Services;
- External Print Services;
- Pre-Paid Envelopes;

- Supply of Specialist Printing Papers (Not Photocopy Paper);
- Supply and Delivery of a Childcare Vouchers Scheme;
- Recruitment Advertising;
- Temporary Agency Staff – Office/Business Support, Accountancy/Finance Support and Catering and Hospitality;
- Advertising/Media Buying;
- Purchasing/Credit Cards;
- Debt Collection Services;
- Temporary and Interim Staff;
- Office Supplies (Stationery, Paper, Computer/IT Consumables);
- Photocopying – Rental, Lease, Purchase, Maintenance, Charges;
- Mobile Communications;
- SMS for Education;
- Fixed Telephony Services;
- Business Travel and Student Travel Services;
- Supply of Natural Gas;
- Water and Wastewater Services;
- Supply of HH unmetered and Domestic Electricity;
- Supply of Electricity To NHH Sites (<100,000 Kwh per annum);
- Supply of Natural Gas;
- Short term Vehicle Hire;
- Cars and Car Type Vans – Long Term Lease;
- Purchase of Vehicles (Cars, Motorbikes and Light/Heavy Commercial Vehicles);
- Lease Hire and Contract Hire Framework for LCV and other Commercial Vehicles; and
- Fuel Cards.

Benefits Tracking

A working group of APUC and institutional representatives devised a common approach for capturing and recording benefits, which better facilitates accurate recording of benefits and completion of Best Practice Indicators. It is planned that this will be further enhanced in collaboration with the sectors' UK wide procurement community and the other publicly funded sectors in Scotland. Annualised benefits ongoing are anticipated to be in the region of £6m versus previous price paid and £15m+ versus market pricing.

College Services and Capital

Since the creation of the account management structure, key requirements of the College Services and Capital team were gathering and collating contracting needs, and creating awareness of contracts available to colleges and the forward contracting plan. A college contracting plan was created specific to the sector's requirements, as well as ad hoc tender support projects.

Between January to July 2010, 198 client visits were made by the four Account Managers. 12 projects for 11 colleges were completed, with an annual value of £3,407,000. A further 15

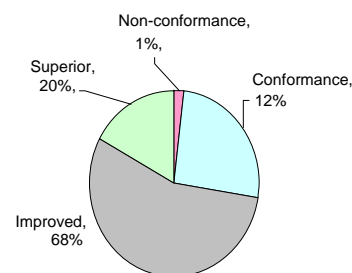
projects were started for eight colleges, with an annual value of £2,767,000. Project plans were established for supporting nine colleges with 19 future projects, with an annual value of £5,460,000.

Procurement Capability Assessments (PCAs) and Best Practice Indicators (BPIs)

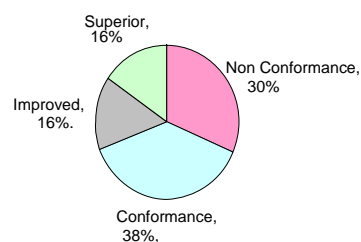
The first year of the Scottish Government Procurement Capability Assessments (PCAs) took place across the sectors during the reporting period. This programme was managed for universities and colleges by APUC. APUC approached these in the spirit of partnership, from the perspective of a programme to assist APUC in identifying client needs, combined with assisting institutions identifying useful improvements to their procurement activities. Despite original misgivings in the sector regarding the value of this activity, virtually all of those involved, after they had been through the process, felt it had been a useful, value adding exercise.

The outputs are compared across all the publicly funded sectors in Scotland so the exercise has been extremely useful for demonstrating that while there is still opportunities for development and improvement, that spend is being managed comparatively well in most universities and colleges, indeed, a higher percentage of spend is in the "Conformance" level or above than any other publicly funded sector in Scotland.

The combined results for Universities and Colleges for 2009/10 are as follows:



The National results, comprising the data for all publicly funded sectors in Scotland is displayed below for comparison.



Some issues were identified with the way that the PCA programme was designed. APUC therefore, on behalf of client institutions, put a set of proposals to the Scottish Government to change the PCA programme (– in parallel to proposals that had been raised around the semi-related Best Practice Indicator (BPI) programme). The key principle in the proposals was to define 2-3 categories for both the BPI and PCA programmes, within which there would be differing requirements and levels of involvement, depending on spend and appropriateness to institutions. The discussions went very positively and the Government agreed to a variable approach. The proposals were approved by the Public Procurement Reform Board (PPRB) and the Cabinet Secretary for Finance and Sustainable Growth, John Swinney MSP. This has resulted in two different approaches for BPIs and three for PCAs, which better suit the differing needs of different types and sizes of institutions.

Process and Best Practice

APUC undertook a comprehensive review of procurement training and development needs based on the outputs from the PCA process. Subsequently, a Training Plan for institutions was published in May 2010. Where possible, the provision of courses with other organisations (for example other Centres of Expertise and procurement consortia) have been included in the Training Plan, although many will be provided by APUC. This process will follow the PCA programme each year.

e-Procurement

In the lead up to the 2010 deadline for completing implementations of the eProcurement Scotl@nd (ePS) service, a further 11 institutions (fig 2) undertook implementation projects on PECOS during the 2009-10 period.

- Fig 2
- Royal Scottish Academy of Music and Drama;
 - John Wheatley College;
 - Borders College;
 - Central College;
 - Glasgow School of Art;
 - Inverness College;
 - Banff and Buchan College*;
 - Stevenson College Edinburgh*;
 - Glasgow Metropolitan College*;
 - Newbattle Abbey College*;
 - Moray College*.

*These five institutions' implementations were new "go-lives" within the period, while the other six were upgrades.

A total of 3,745 users within the above institutions were added during the period.

160,171 purchase orders were processed with a value of £159,310,186.

By the end of July 2010, 41 institutions were live on ePS, with a further six in the implementation phase. (Subsequent to the reporting period, 46 institutions were live on ePS by the end of September 2010, which exceeded the target of having 45 institutions live by that date.) A total of 43 institutions were being supported as users of e-procurement solutions (which includes two other e-procurement systems) by the end of the reporting period.

Communications

A revised Strategic Communications Plan was created with input from representatives on APUC's Board. The plan was approved by the Board and implemented from March 2010.

Further to the success of the ezine that was introduced to colleges in July 2009, the ezine was rolled out to universities from August 2009. This new communications method proved popular among institutions and became, along with the new account management approach, the key method of communicating procurement news and actions to institutions.

To further enhance communications with institutions, the APUC team was trained in how to run effective webinars and delivering excellent customer service. Webinar technology was implemented for online meetings and sharing documents, to save on time and travel costs for both APUC and institutions.

APUC attended and supported various industry events, particularly with a view to increasing supplier education and engagement, and commenced the organisation of the next Conference on University Purchasing, which will be held at the University of St Andrews in September 2011.

Human Resources

APUC embarked on a job evaluation process using two solutions offered by Northgate Arinso which best suited its needs: "Evaluate", a web-based job evaluation system and "Link", a pay modelling system. All APUC posts were evaluated and a grading system devised from pay modelling. As a result of this robust process, appropriate grades and salary bands can be applied to all current and future posts.

APUC built a new performance management system to allow employees to self-assess against the competencies set out in job descriptions and, with line manager input, set objectives and create skills gap analysis training and development plans.

A wide variety of training and development was provided to staff to enhance the core business expertise of APUC's talent pool. In-house and external training was provided alongside professional development with several staff achieving CIPS accreditation.

The APUC HR Policy Manual was reviewed to ensure policies and procedures were in line with legislative and best practice changes and to better meet APUC's business needs subsequent to the changes it had been through since the organisation was established.

Governance

Since the company's incorporation it has been funded by the Scottish Government and the Scottish Funding Council (SFC). Funding for the Financial Year 1 August 2010 to 31 July 2011 has been secured from the SFC which has also provided a guarantee for the company's share of any pension deficit. Investigation of a new funding model, involving alternative sources of funding commenced.

APUC's Risk Register was updated on a quarterly basis, or more often if required, and the risk management process was reviewed annually and audited by the external auditors.

In accordance with best practice for corporate governance, detailed financial procedures and policies were formally drawn up and incorporated in a Financial Procedures Manual that is available to all members of staff.

A new subsidiary undertaking, UCSS Ltd, was incorporated on 6 April 2010, which enabled the organisation to offer pension fund membership to all group staff, including those on fixed term contracts. The results of this subsidiary undertaking have been fully consolidated within the financial statements for the year ended 31 July 2010, available at www.apuc-scot.ac.uk/home.htm

Summary of key actions and achievements August 2009 – July 2010

Area	Key actions and achievements
Operational Review	<ul style="list-style-type: none"> • Leaner operating model. • Increased outputs. • Client account management model. • Cost efficient accommodation. • Commendation by John F. McClelland CBE.
Client Engagement	<ul style="list-style-type: none"> • Chief Executive meetings with 62 institutions. • Account Managers allocated to each institution. • Procurement Capability Assessments completed. • Client Satisfaction Survey and Report. • Membership increased.
Account Management	<ul style="list-style-type: none"> • Stronger relationships between APUC and institutions. • Understanding of actions required of institutions (PCAs, BPIs etc) and APUC (resolving issues more quickly). • Contract uptake and compliance improved. • Tailored frameworks facilitated. • Significant cost savings through tender support.
Operational Procurement	<ul style="list-style-type: none"> • 96 contracts made available to institutions. • Contract availability increased by 400%.
Benefits Tracking	<ul style="list-style-type: none"> • Common methodology devised. • Consistent benefits and BPI reporting.
College Services and Capital	<ul style="list-style-type: none"> • 198 client account management visits. • College contracting plan. • Support for 27 ad hoc tenders.
PCAs and BPIs	<ul style="list-style-type: none"> • Revised programmes for BPIs and PCAs agreed with Government. • Summary Report on the PCA programme 2009-10.
Process and Best Practice	<ul style="list-style-type: none"> • Review of procurement training and development needs. • Training Plan for institutions launched.
e-Procurement	<ul style="list-style-type: none"> • Five new ePS implementations and six upgrades. • 41 institutions live on PECOS. • Two institutions supported in alternative e-procurement solutions.
Communications	<ul style="list-style-type: none"> • Strategic Communications Plan published. • ezine rolled out to higher education institutions (already in place for FE colleges). • Client Satisfaction Survey Report and Recommendations. • Procurement and supplier events. • Conference on University Purchasing 2011.
Human Resources	<ul style="list-style-type: none"> • Organisational review. • Job evaluation and pay modelling. • HR Policy Manual. • UCSS Stakeholder pension scheme introduced. • Performance management system developed. • Training and development initiatives undertaken.
Governance	<ul style="list-style-type: none"> • Pensions deficit guarantee for 2010-11. • Funding model options drafted. • New subsidiary, UCSS Ltd incorporated. • Financial Operating Procedures Manual put in place.

High level data summary year end comparisons	2008-09	2009-10
Member institutions	55	61*
Collaborative contracts available with Buyers Guides in place	21	96
ePS implementations live in total	36	41
Number of PECOS purchase orders	118,202	160,171

*All 62 had joined by August 2010.

Annex A

List of member institutions

Higher Education Institutions

Edinburgh College of Art
Glasgow Caledonian University
Glasgow School of Art
Heriot-Watt University
Napier University
Queen Margaret University
Royal Scottish Academy of Music and Drama
Scottish Agricultural College
The Robert Gordon University
UHI Millennium Institute
University of Aberdeen
University of Abertay
University of Dundee
University of Edinburgh
University of Glasgow
University of St Andrews
University of Stirling
University of Strathclyde
University of the West of Scotland

Further Education Colleges

Aberdeen College
Adam Smith College
Angus College
Anniesland College
Ayr College
Banff and Buchan College
Barony College
Borders College
Cardonald College
Carnegie College
Central College of Commerce
Clydebank College
Coatbridge College

Cumbernauld College
Dumfries and Galloway College
Dundee College
Edinburgh's Telford College
Elmwood College
Forth Valley College
Glasgow College of Nautical Studies
Glasgow Metropolitan College
Inverness College
James Watt College
Jewel and Esk College
John Wheatley College
Kilmarnock College
Langside College
Lews Castle College
Moray College
Motherwell College
Newbattle Abbey College
North Glasgow College
North Highland College
Oatridge College
Orkney College*
Perth College
Reid Kerr College
Sabhal Mòr Ostaig
Shetland College
South Lanarkshire College
Stevenson College
Stow College
West Lothian College

* Orkney College became a member of APUC subsequent to the reporting period, in August 2010.

Annex B

Directors for the year ended 31 July 2010

Nigel Paul, Director of Corporate Services, University of Edinburgh (Chairman)
Patricia Briggs, Vice-Principal Planning and Resources, Robert Gordon University
Robert Kennedy, Director of Finance, Dundee University
Jim Crooks, Principal, Elmwood College
Stewart McKillop, Principal, South Lanarkshire College
Alan Williamson, Director of Finance, Jewel and Esk College
David Ross – non sectoral director
Stuart Paterson – non sectoral director
Douglas MacKellar – non sectoral director
Angus Warren – Chief Executive, APUC Ltd

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