

AUDIT COMMITTEE REPORT 04-02: PROCUREMENT IN THE FURTHER EDUCATION SECTOR IN WALES

The Welsh Assembly Government's response to the Recommendations of the Audit Committee following the presentation of their report on 25 April 2002

The Welsh Assembly Government welcomes the report and offers the following response to its concluding comments and recommendations drawing on material from the National Council.

Recommendation (i)

The expanded Consortium build on its success to date by further increasing the number of contracts it has in place and turning its attention to best practice in procurement such as target setting, and e-procurement

Accepted. Since November 2001, a new contract has been let for library resources and 5 contracts are in place in respect of computing equipment. Two further contracts covering furniture and protective clothing are in the process of being tendered. The Consortium is considering additional products to add to its original (three) contracts which are currently being retendered. An agriculture sub-group has also been formed by the Consortium to assess the specific procurement needs of colleges which offer land based provision.

The National Council has required all institutions to include specific targets within their Procurement Strategies. The Council will receive these strategies in July 2002. In addition, discussions are ongoing with the Consortium on the finalisation of its Strategic Plan which will be completed by the end of June 2002 and will contain specific objectives and targets.

The Consortium has established a sub-group to pilot and promote the use of e-procurement. The main initiative involves a small group of institutions, led by Coleg Gwent, exploring the opportunities offered by FE Online, a web-based facility offered by the Association of Colleges. The pilot will commence in September 2002 for a period of six months. The attention of institutions is also being drawn to the Welsh Purchasing Card which is being introduced by the Assembly's Welsh Procurement Initiative Team.

Recommendation (ii)

All institutions consider the cost effectiveness of appointing a dedicated procurement officer, and where institutions consider that an in-house appointment is not cost effective they should seek to increase their expertise through other means.

Accepted. There are now specialist procurement officers in seven institutions. Four of these officers possess a professional procurement qualification and three are pursuing their qualification. The institutions have been asked by the Council to ensure that they have access to appropriate procurement expertise and, where an in-house appointment is demonstrated not to be cost effective, alternative options such as collaborative arrangements or contracting-in expertise should be available. The Council will receive the institutions' responses to this request in July 2002 and each response will be assessed on an individual basis.

The Consortium has a key role to play in the provision of opportunities for procurement education and training and, building on the success of the Summer 2001 training events a further 2 events are being arranged for Summer 2002. Events are also being organised to promote greater awareness and understanding by senior managers of the benefits of good procurement practices. In addition, the attention of institutions is being drawn to the Training and Development Pathfinder project, which is being developed by the Assembly's Welsh Procurement Initiative Team.

The National Council is currently discussing with Fforwm, the representative body for further education institutions in Wales, the options available to provide procurement support to smaller institutions. Specific proposals will be considered at the July 2002 meeting of the Fforwm Board.

Recommendation (iii)

The Council work with institutions to ensure not only that information is available in order to make effective decisions about procurement, but also to facilitate the monitoring of savings achieved over time.

Accepted. The Council has continued to work with the institutions building on guidance issued by the Council to institutions in January 2002 entitled *Good Practice in Procurement* which highlighted the importance of adequate procurement management information. The guidance detailed the type and range of procurement management information which should be maintained by all institutions. In addition, the Consortium has incorporated within its contract specifications a requirement for suppliers to provide detailed information on usage on a college by college basis and for the Consortium as a whole. This should enable the Consortium and the Council to monitor the savings being achieved and a progress report will be included in the Council's update to the Audit Committee in twelve months time. Furthermore, the attention of institutions is being drawn to the procurement value for money measurement system that is being developed by the Assembly's Welsh Procurement Initiative Team.

The Consortium is currently evaluating the possibility of engaging an external benchmarking service in November 2002 to compare the contracted prices against relevant comparators.

Recommendation (iv)

All institutions identify a list of activities to be reviewed as a first step to initiating a programme of review. They should report the results of this programme to the Council.

Accepted. The guidance issued by the Council in January 2002 required institutions to include within their procurement strategies a statement on how they will embrace a Best Value approach for the services which they require. The guidance included a detailed list of the type of services which should be included in such reviews. The Council will evaluate the adequacy of these statements in July 2002 and will provide feedback to institutions on an individual basis.

Recommendation (v)

All institutions initiate a programme of supplier rationalisation with a view to establishing a robust list of suppliers for future purchases to secure higher service levels and lower costs.

Accepted. The suggested procurement strategy structure, which the Council incorporated within its January 2002 guidance, required institutions to describe the policies and procedures that underpin the periodic review of their supplier base. The Council will evaluate the adequacy of colleges' responses in July 2002 and will provide feedback to institutions on an individual basis.

Recommendation (vi)

All institutions remain aware of what the local market has to offer, while ensuring that value for money – which usually means the cheapest bid consistent with acceptable quality – remains their overriding priority in the procurement of goods and services.

Accepted. This issue was strongly emphasised in the January 2002 guidance and in the accompanying letter from the Council's Chief Executive. Whilst primary responsibility for this rests with individual institutions, the Consortium ensures that Welsh small and medium sized enterprises are included within tender lists for all contracts and, where required, assistance and feedback is provided to local companies in preparing tender proposals. A South Wales SME was recently awarded a computing equipment contract.

Recommendation (vii)

All institutions adopt a systematic approach to energy management. They should as a matter of priority develop robust energy management strategies, including consumption and supply prices, which they should make available for examination by the Council.

Accepted. The Council included advice on producing or updating an energy policy within the latest version of its Estate Management Manual. The sector has been proactive in obtaining competitive prices for its energy supplies, however less progress has been achieved in the management of energy consumption. A sector meeting of Estates Managers planned for June 2002 will discuss the best options for achieving improvements in the management of energy consumption. This will include a proposal to establish a group of estates professionals to drive progress on this issue.

Following the Estates Managers' meeting, the Council will issue a report, including case studies, on energy management in Summer 2002. This will draw on work already completed by the Council at a sample of further education institutions in Wales and include relevant issues from a Value for Money Study on energy management undertaken in the UK higher education sector. The report will also make reference to energy benchmarking statistics that are available on the Further Education Estates Management database.

Recommendation (viii)

The Assembly examine whether the current model for the further education sector of colleges as independent self-governing bodies remains appropriate [repeating a recommendation in a previous Committee report].

Accepted. The Welsh Assembly Government will keep under review the appropriateness of the existing arrangements and will consult the Education

and Lifelong Learning Committee on any such proposals it may consider necessary. Further education institutions in Wales are established under the Further and Higher Education Act 1992. Any amendment to the statutory basis would require primary legislation.

Recommendation (ix)

Within twelve months of the publication of this report, the Council report back to the Committee on the further progress the sector is making towards achieving its target of cumulative annual savings of at least £2.5 million.

Accepted. The Council will provide the Audit Committee with a comprehensive update, including the progress on savings being achieved by the sector, in April 2003.