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The National Assembly for Wales
Cardiff Bay
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REPORT TO THE AUDIT COMMITTEE BY THE NATIONAL COUNCIL FOR EDUCATION AND TRAINING FOR WALES

1. In Claire Bennett's letter to me of 7 July, she asked me to provide advice to the Audit Committee on the report sent to the Committee by the National Council for Education and Training for Wales (the Council) in May 2003.

Introduction

2. This report fulfils the Council's action in response to a previous recommendation by the Audit Committee, in its report: *Procurement in the Further Education Sector in Wales*, published in April 2002. That report itself was effectively a follow up to previous Committee consideration of the topic, as part of its wider-ranging examination of governance and management and further education institutions, *Further Education in Wales*, published in June 2000. One of the central themes of both Committee reports was the importance of securing real financial savings from improved procurement practices, releasing resources for front-line services.
3. In its latter report, the Committee found that "witnesses were confident that in time the sector would be able to achieve cumulative savings of three per cent annually" (paragraph 38), equivalent to £2.5 million a year. Three per cent is the target level of savings set out in the Assembly's review of procurement across the Welsh public sector, *Better Value Wales*. In recognition of the relatively low performance base of the further education sector, the then Chief Executive of the Council committed himself to achieving cumulative annual savings of three per cent (that is, a further three per cent each year). The Committee stressed again the importance it attached to securing savings and asked the Council, to report back to the Committee, within twelve months of the publication of its own report, on the further progress the sector was making towards achieving its target of cumulative annual savings of at least £2.5 million (paragraph 40, recommendation ix).

The National Council's report

4. The Council report that, between the publication of my report in September 2001 and December 2002 (16 months), institutions have secured some £2.3 million of savings (Table 1 after paragraph 9). The further education sector has done well to secure this level of financial savings. But the savings fall short of the Council's own annual target. The savings achieved are equivalent to some £1.7 million over twelve months, £0.8 million or 32 per cent short of the £2.5 million target. The Council's Audit Service have validated the information provided by six institutions to confirm the accuracy of returns, representing over 50 per cent of the reported savings.

5. The Council's report is not limited to savings, but also sets out the initiatives that have been undertaken since the Committee took evidence on this subject in November 2001. Central to these initiatives is the expansion of the role and work of the Welsh Further Education Purchasing Consortium (the Consortium), whose activities were still in their relative infancy at the time of the Committee's consideration. However, the Consortium's contracts still only represent five per cent of the sector's non-pay annual spend (paragraph 12), and savings from these contracts were forecast to be around £400,000 in 2002-03 (paragraph 23). This is a useful contribution towards the £2.5 million target, but clearly savings are also needed from elsewhere.
6. The Council also report on a number of other areas considered previously by the Committee: the development of institutions' strategies, staffing expertise at institutions, and management information:
 - all institutions now have procurement strategies in place. However, review by the Wales Procurement Initiative Team (the group set up to take forward the recommendations of *Better Value Wales*) has found that there was scope for significant improvement in many of these strategies;
 - ten institutions now have a total of 17 procurement staff, increases of five and six respectively over the position at September 2001. Six of these staff - among the 25 institutions in the sector - are members of the Chartered Institute of Purchasing and Supply, with four more studying for the qualification; and
 - the quality of procurement management information is improving but remains poor at many institutions.
7. The report concludes by setting out the future challenges facing the Council. These include recognition of the need to increase the rate at which savings are secured, that lack of expertise and resources will remain the principal barrier to progress, and the quality of management information.

Conclusion

8. The Committee and I have clearly flagged up in our reports the scope for improved procurement practices to lead to hard financial savings for reinvestment, particularly in a sector where procurement is relatively under-developed, such as further education. Against this background, that institutions have achieved savings of over £2 million since the autumn of 2001 is very welcome. However, it is disappointing that this level of savings is still over 30 per cent lower than the target that the Council had set for itself. As its own report makes clear, there is still much for the Council in partnership with the further education institutions to do in continuing to increase the level of procurement expertise and hence drive out increased savings.
9. I intend to publish a report on the National Council's financial management of its Innovation and Development Programme (including the "Pop Factory" project) in the early autumn of this year. If the Committee decides to take evidence on this report from Council officials, it will also have the opportunity, if it chooses, to ask them about institutions' progress in securing savings through better procurement. If that is the case, I would naturally be happy to advise the Committee on some suggested lines of questioning.

10. If I can be of any further assistance, please do not hesitate to get in touch.

JOHN BOURN