



WALES AUDIT OFFICE  

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# Progress in the further education sector: estates management and procurement

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Submitted to the Audit Committee of the  
National Assembly for Wales

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## Progress in the further education sector: estates management and procurement

- 1 In March 2006, the then National Council for Education and Training for Wales (the Council) provided an updated report to the Audit Committee on the progress made by further education institutions in complying with disability legislation. I undertook to advise the Committee on the implications of that report (as set out in paragraphs 6 to 11 below). I have also taken this opportunity to update the Committee on the progress being made against the other recommendations set out in its report on estate management in the further education sector (paragraphs 12 and 13).
- 2 The Committee has also had a long-standing interest in the efforts made by the further education sector to improve its procurement activities. This memorandum also updates the Committee on how the sector is taking forward the recommendations set out in its 2002 report on procurement (paragraphs 14 to 24).
- 3 In April 2006, the Council was merged into the Welsh Assembly Government as part of the new Department for Education, Lifelong Learning and Skills. Much of this paper focuses on the period before the merger, where we continue to refer to the Council. The presence of a new Sub-Accounting Officer for this new Department gives the Committee the opportunity to investigate both these matters, estates management and procurement, with him, and to act as a spur to greater action.

### Conclusion

- 4 We found that, in terms of **estates management**, progress has been made in addressing the recommendations previously made by the Committee: for example, estates expertise has been strengthened within the Council and in institutions, and the Council's capital funding is now much more aligned to institutions' estates needs. Much of the work required to comply with disability legislation has been carried out. But there is still over £12 million work to do, especially in tackling the relatively expensive physical alterations to buildings needed to bring the estate up to standards expected in the 21<sup>st</sup> century in terms of allowing reasonable physical access for all potential students.
- 5 On **procurement**, the Committee previously concluded that there was significant scope for financial savings through smarter procurement, since procurement practices and expertise were considered by Value Wales' forerunner as relatively immature in this sector. As a consequence, the 3 per cent target originally set for the Welsh public sector and restated in *Making the Connections* was less ambitious for further education institutions, where it equated to a saving of around £2.5 million a year. The Council's regular audit reviews have identified that information on savings realised through more efficient and effective procurement is held by most institutions, but the Council has not routinely captured this information. However, the new Department is planning to carry out an exercise in the summer of 2006 to assess the extent to which institutions

are securing savings through better procurement practices. The only information centrally available is from the Further Education Purchasing Consortium which reports that its contracts saved some £900,000 in 2004/2005. Progress has been made by further education institutions in addressing the other recommendations previously made by the Committee, although further improvement is needed in some institutions in the areas of supplier evaluation and the availability of management information.

## Estates management

### Compliance with disability legislation

- 6** The Committee's report on *The management of the further education estate in Wales*, published in August 2003, contained eight recommendations (listed at Appendix 1). The first recommendation was that institutions should address with the utmost urgency those works which should already have been implemented under the Disability Discrimination Act (DDA) 1995; the recommendation also requested an update report by the end of that year, 2003. Following receipt of that update, in May 2004 the Committee Chair wrote to the Minister setting out the Committee's continuing concerns on the level of works outstanding to comply with disability legislation. While the Committee was satisfied that the Council and institutions recognised the importance of ensuring that their services took account of learners with disabilities, it retained two concerns: that, given the extent of the works required, institutions might be breaking the law; and that potential students with disabilities were being deterred from applying for courses. After further exchanges of letters, in December 2004 the Minister accepted the Chair's request for another update report by the end of 2005, setting out the impact of the additional £6.5 million funding that the Minister had made available to institutions to enable them to carry out the highest priority DDA works. This latest report from the Council fulfils that obligation.
- 7** The Committee's 2003 report found that £20.7 million (excluding professional fees and VAT) in work was required for the sector to be compliant with the legislation, based on a disability access audit commissioned by the Council and carried out by consultants in 2001. To assist with prioritisation, this audit further analysed the outstanding works into four categories: different types of work where different deadlines are applied to the work in terms of compliance with the legislation. The Council's first update to the Committee reported that, as at August 2003, the figure of £20.7 million had reduced to nearly £17 million. This report also explained that, following the Special Educational Needs and Disability Act (SENDA) 2001, which amended the DDA, the deadlines for compliance were not quite as exacting as under the earlier legislation.
- 8** In its latest update, the Council sets out the current position with regard to the outstanding works (Annex B of the Council's update report of February 2006). It shows that the total figure of £20.7 million, as reported in the Committee's 2003 report, has now reduced to £8.1 million (a reduction of 60 per cent). Of this £8.1 million, some £710,000 relates to additional work identified by institutions since the 2001 audit. However,

this figure understates the total cost to institutions, as it does not take account of inflation since 2001, professional fees or VAT. The second column of Annex B shows that the total cost to institutions, including these additional elements, is some £12.7 million. Figure 1 below provides the Department's analysis of the outstanding work by category as at April 2006, compared with the original audit. Appendix 2 provides examples of the types of work applicable to each category, while Appendix 3 provides an analysis of the main work outstanding in the four further education institutions with the greatest amount of work outstanding by cost.

**Figure 1: Analysis of outstanding works**

	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>	
	All elements that have an implication under DDA/SENDA and other legislation (eg health & safety)	Altering practice, policy and procedures to ensure that it is possible for a disabled person to use services	Adjustments to all physical elements of premises to overcome physical barriers	Elements that can be undertaken as part of ongoing maintenance programme	
Implementation date required by SENDA	Should already have been implemented at the time of the Audit Committee report in August 2003	September 2003	September 2005	September 2005	
					<b>Total</b>
2001 £m	4.0	6.3	9.6	0.8	<b>20.7</b>
2006 £m	0.9	1.3	4.5	0.7	<b>7.4</b>

*Note: The figures quoted for both 2001 and 2006 exclude professional fees and VAT. The figures for 2006 exclude the additional £710,000 subsequently identified.*

- 9 Figure 1 shows that institutions have been able to use the additional £6.5 million provided by the Minister, together with other resources, to make significant inroads into outstanding Category A and B works. However while the Category C outstanding work has more than halved, a significant amount, £4.5 million, remains. This is where physical adjustment to premises is necessary, and therefore represents those works where the highest costs are likely to be involved. The Council has reported to us some of the practical problems faced by institutions in undertaking the outstanding capital works: the limited number of companies available to complete some of the required works, together with the pressure on other public sector bodies also to comply with the deadlines set by SENDA.

- 10 The Department pointed out that the further education institutions may not be in breach of their statutory requirements under SENDA purely by virtue of having outstanding works, in that the Act's provisions are dependent upon available resources and other competing priorities (see box below)<sup>1</sup>. The Department expressed to us the view that the further education institutions take seriously the issue of making appropriate provision for disabled students generally and complying with SENDA specifically.

**The legislation**

The DDA 1995, amended by Chapter 2 of the Special Educational Needs and Disability Act (SENDA) 2001, made it unlawful to discriminate against disabled people in general and specifically required Further Education Institutions to:

- make reasonable adjustments (ie depending on the financial resources of an institution and its other commitments) to provision where disabled people might otherwise be substantially disadvantaged by September 2002;
- provide relevant auxiliary aids and services by September 2003; and
- make adjustments to physical features of premises where they put disabled people at a substantial disadvantage by September 2005.

- 11 In May 2006, in response to an invitation from the Minister for Finance, Local Government and Public Services, the Department submitted a bid for £9 million additional capital funding, all of which would be targeted at DDA/SENDA compliance work. If successful, the bid would allow all the outstanding works in categories A and B to be carried out along with 78 per cent of the total value of work outstanding in category C.
- 12 The Council and Department have taken the following steps to help institutions address this issue in line with the other recommendations in the Committee's report in 2003:
- allocating capital funding (£17 million in 2006/2007<sup>2</sup>) on the basis of need identified in the proposals in each Institutional Plan which encompass both academic and estates issues, rather than by formula as was previously the case (recommendation ii);
  - signalling to further education institutions the priority which it gives to estates through the allocation of its capital resources, providing £7.4 million in 2004/2005 and £4 million in 2005/2006 for backlog maintenance. It has also made clear that the extent to which compliance with the disability legislation forms part of institutions' proposals for capital expenditure will be a significant factor in decisions about the allocation of capital resources (recommendation iii);

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<sup>1</sup> The Council is unaware of any legal action to date arising from the alleged failure of any educational organisation in Wales to comply with SENDA.

<sup>2</sup> All years cited in this way are academic years, August to July.

- establishing new targets for the improvement of further education institutions' estates over the next 12 to 18 months following the allocation of the increased capital resources, and using a basket of 20 Estates Key Performance Indicators provided by the Further Education Estates Management Statistics project (recommendation v); and
  - increasing its own property staffing arrangements: there are now two officials servicing the further education sector only; at the time of the Committee's report, the same number of officials were also responsible for the higher education sector (recommendation vi).
- 13** The further education institutions have also taken steps to comply with the Committee's recommendations in its 2003 report:
- reviewing their estates' strategies annually, to ensure that they take account of the comments made by the consultants commissioned by my predecessor to review them as part of his report on this topic in 2003 (recommendation iv); and
  - strengthening their estates' staffing resources (recommendation vii). All further education institutions have their own internal estates manager, with the exception of Coleg Harlech which is one of the smallest institutions.<sup>3</sup> Institutions share good practice through the Estates' Managers' network and through **fforwm**, the organisation which represents the institutions. In addition, the Department requires institutions to appoint a senior manager to have specific responsibility for any new capital estates project, and for those in excess of £1 million, a professionally qualified project manager is required.

## Procurement

- 14** The Committee's report of April 2002 on *Procurement in the further education sector in Wales* made six recommendations to institutions designed to improve their procurement practices, together with two recommendations to the Council and one to the Auditor General; all these recommendations are listed in Appendix 4. The final recommendation was that the Council report back to the Committee a year later on its progress against the annual cumulative £2.5 million savings target it had set itself (in line with the 3 per cent target set by the Welsh Assembly Government for the Welsh public sector as a whole, although this target was not cumulative). Following receipt of that update report, in October 2003 the Chair of the Committee wrote to the Council with some questions, receiving a response in December 2003. In March 2004, my predecessor as Auditor General advised the Committee that, while the savings target was not being met, the level of savings was rising and that a number of steps were being taken to improve procurement practice and expertise across the sector. There was therefore no need for any further

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<sup>3</sup> In addition, Merthyr Tydfil College will be reviewing its arrangements following its merger with the University of Glamorgan.

Committee action at that stage, although the Auditor General undertook to report back to the Committee if necessary.

- 15 While the Council has a small team able to advise and support institutions on estates management issues, there is no such equivalent for procurement matters. The information held by the Council and now the Department on how institutions manage their procurement is therefore limited. Since all the relevant information is not held centrally, to provide a comprehensive sector-wide picture of procurement would require liaison with all 25 further education institutions, a task beyond the scope of this memorandum. However, in preparing this update note, we were able to draw on two sources of evidence:
- the results of the assurance reviews conducted by what was the ELWa Audit Service (now Provider Audit and Governance), which include procurement matters; each institution is reviewed once, together with a follow up, in a three-year cycle; and
  - the information held by the Welsh Further Education Purchasing Consortium (the Consortium).
- 16 The ELWa Audit Service reviews of institutions have reinforced many of the Committee's recommendations. Where the ELWa Audit Service consider that an institution has not met the necessary standard, it makes a recommendation for improvement. Figure 2 shows the Audit Service analysis of the current state of institution compliance against the areas reviewed.
- 17 This is evidence of some good progress being made. Nearly all institutions have sound procurement arrangements for procurement, with strategies and a procurement champion in place. Institutions have looked to market test support services, and have taken steps to manage their supplier bases. The main areas for further improvement are the evaluation of supplier performance, and the ready availability of management information, including details of savings secured, where a number of institutions are not yet compliant.
- 18 The Committee regarded the creation of the Consortium in 2001 as the most significant development in procurement in the sector for a number of years. Originally funded by the Council, the Consortium became part of **fforwm**, the sector's representative body, in 2005. All institutions are now members of the Consortium, whose annual running costs are currently around £60,000 for two part-time staff (0.8 full time equivalent).
- 19 Since its inception, the scale of the Consortium's activities has gradually increased. The spend by its members on collaborative agreements has risen from £2.1 million in 2001/2002, to £5.5 million in 2004/2005 (an increase of 160 per cent). This needs to be seen in the context of total non-pay expenditure by institutions of around £80 million. There are currently 21 suppliers with contracts with the Consortium, across 15 different types of agreement (categories of spend). It is the only purchasing consortium in the further education sector in the United Kingdom, and has attracted interest from those sectors in England and Northern Ireland.



**Figure 2: ELWa Audit Service analysis of institution (May 2006)**

Audit question	Number of institutions complying (25 in total)	Link to Committee recommendation (Appendix 4)
Does the institution have a procurement strategy and a procurement "champion"?	25	ii
Does the procurement strategy cover all the expected areas?	25	
Are the procurement arrangements operating effectively?	23	
Are the Financial Regulations and procedures for competitive procurement appropriate and consistent with NAO and other guidance	25	
Are procurement arrangements co-ordinated across the institution?	24	
Have appropriate tender processes been established	25	
Have services been market tested	25	iv
Does the institution manage its supplier base?	25	v
Is there a formal system for appraising supplier performance?	18	v
Is there evidence of formal evaluation of quality and delivery?	20	v
Does the institution make use of any consortium arrangements?	25	i
Is procurement management information available?	15	iii
Is the institution maintaining a record of savings being achieved?	21	iii

*Note: In addition, the Department told us that, although it was not a formal question asked, its supporting work had identified that 16 institutions now had procurement officers, and one was able to draw on the expertise of the local university. The remaining eight institutions were primarily the smaller institutions which do not consider it cost effective to employ a dedicated procurement officer.*

- 20** The Consortium reports that institutions have achieved significant savings through the use of its contracts – Figure 3. The level of savings achieved through the Consortium, 12.6 per cent over four years, demonstrates the potential gains that can be secured through better procurement. In 2006, the institutions agreed to double the funding available to the Consortium to £120,000. This should enable the Consortium to increase the number of contracts it has in place, and thus lead to additional savings for institutions.

**Figure 3: Savings achieved through the Consortium**

Year	Spend (£000)	Saving (£000)	Savings (%)
2001/2002	2,057	241	11.7
2002/2003	4,592	537	10.8
2003/2004	4,726	517	10.9
2004/2005	5,537	884	16.0
<b>Total</b>	<b>17,272</b>	<b>2,179</b>	<b>12.6</b>

- 21** Since the Department does not have any data on the level of savings in procurement being secured by institutions outside the Consortium areas of activity, it is not possible to determine whether the sector is yet meeting the annual target of £2.5 million that it has been aiming for since the Committee first reported (recommendation ix). The Department told us that it was intending to undertake an exercise in the summer of 2006 to determine the level of savings at each institution.
- 22** The Consortium points to the wider contribution that it has made in raising the quality of procurement within the further education sector, promulgating best practice through:
- providing a vehicle for the ready exchange of experience and expertise through the working groups it has set up, on contract management, sustainability, e-procurement, and catering, for example;
  - standardising documentation in its contract handbook;
  - mentoring new contract managers;
  - providing members with ready access to relevant information through, for example, its website; and
  - delivering comprehensive training and support.
- 23** The Consortium has also established links with other organisations in the Welsh public sector. It is now a member of the Higher Education Purchasing Consortium Wales (HEPCW), using three HEPCW contracts. It is also a partner in the HEPCW bid to the Assembly Government's Making the Connections Improvement Fund, for a project setting up regional procurement hubs for higher and further education bodies. However, the Consortium told us that, while it is keen to collaborate with other sectors where possible, it is currently more important to continue to develop the necessary procurement skills within further education institutions. Furthermore, greater collaboration with HEPCW is hindered by the fact that two higher education institutions in the north of Wales<sup>4</sup> are not members of HEPCW but an English consortium. In addition to participating in the HEPCW bid referred to above, the Consortium has submitted its own, separate bid to the Making the Connections Improvement Fund for a project that would:

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<sup>4</sup> University of Wales, Bangor, and North East Wales Institute of Higher Education

- evaluate the opportunities and implications of enhanced collaboration for the supply of goods and services;
  - investigate the potential for co-ordinating the provision of some central services; and
  - undertake a survey of procurement operations, to make best use of the resources available.
- 24** The Consortium also actively participates in Value Wales (previously the Welsh Procurement Initiative Team) initiatives. Under Value Wales, many public sector bodies have put themselves forward for Procurement Fitness Checks, reviews of procurement arrangements designed to help organisations recognise their strengths in this area as well identify areas for improvement. While the National Council itself, before its absorption into the Assembly Government, and all higher education institutions have been subject to such a review, no Fitness Checks have yet been carried out on further education institutions.

## Appendix 1

### **Recommendations made by the Audit Committee in its report: *Management of the further education estate in Wales, 03-03, 28 August 2003***

- i) institutions, in terms of meeting their obligations under the Disability Discrimination Act 1995 (as amended by the Special Educational Needs and Disability Act 2001), as a minimum address, with the support of the Council, immediately and with the utmost urgency those works which should already have been implemented; and that the Council report back to the Audit Committee on the progress made in addressing the requirements of the DDA/SENDA;
- ii) the Council allocate at least some of its funding for estates according to the identified need of individual institutions;
- iii) the Council signal the weight it attaches to estates matters through the development and publication of its priorities for improving the estate;
- iv) institutions review their estates strategies on an annual basis to ensure that they remain up to date. Taking into account both the comments made by the consultants engaged by the National Audit Office Wales and the priorities published by the Council;
- v) the Council set targets using the basis of the Further Education Estates Management statistics project (FEEMS) for continued improvements to the estate and publish the progress being made;
- vi) the Council review the resourcing of its Property Section to ensure that it is equipped to deal with the task in hand;
- vii) institutions consider strengthening their estates resources with either an in-house specialist appointment, buying in expertise or collaborating with other further education institutions; and
- viii) the Auditor General for Wales advise the Audit Committee on what has happened in response to its previous recommendations concerning the current model for the further education sector, and whether the Assembly Government intends to take any more action in the future

## Appendix 2

### Examples of types of work by category

Examples of the types of work included under the four categories are set out in the table below.

Category A	Category B	Category C	Category D
Installation of visual alarms or vibrating pagers Improved external alarms and lighting Installation of tactile and visual signage Hot water temperature controls, replacement of ironmongery and new compartment door controls (toilets; general provisions) Safe fire refuge areas for disabled Signage at steps	Wayfinding (installation of signage) Provision of suitable seating (eg in canteens) Facilities for guide dogs and assistance animals Change of taps for persons with limited dexterity Upgrade of passenger lift to meet DDA	Adaptation of reception counter for approach and seating Installation of induction loops Visual and tactile warnings on external steps Provision of toilets for wheelchair users Provision of external and internal ramps Provision of suitable handrails for ramps etc Provision of blister type markings Provision of dropped kerbs Provision of suitable car parking Installation of stair lifts/ramps	Any works that can be done via Planned Maintenance Programmes such as decorative works (provision of contrast of colours)

## Appendix 3

### Category C work outstanding at 1 April 2006

	Barry College	Bridgend College	Coleg Meirion Dwyfor	Coleg Morgannwg
Element	£	£	£	£
Approach, routes and street furniture	51,600	37,200	148,050	31,050
Car parking	14,650	20,850	30,950	14,400
External ramps	18,115	28,150	30,350	10,450
External steps	14,935	37,150	26,450	23,550
Entrances	18,920	35,670	41,320	16,410
Reception areas and lobbies	13,550	10,650	17,350	12,400
Corridors	5,700	9,750	6,300	5,850
Internal doors	30,650	40,900	38,100	50,150
Internal ramps	4,000	8,900	2,100	4,050
Internal steps	34,745	47,750	61,200	60,370
Lifts	118,000	53,310	7,600	78,350
Platform lifts and stairs	17,150	0	30,000	27,350
Internal surfaces	0	0	0	0
Toilets	22,700	47,735	84,280	69,565
Telephones	1,500	1,200	1,250	1,900
Computer services	2,650	550	300	0
Sports and leisure facilities	1,900	250	1,000	0
Acoustics	2,500	0	0	5,700
Facilities - shower	1,250	4,650	4,100	4,500
Bedrooms and sleeping facilities	0	0	13,000	0
Windows	3,600	0	500	0
Classrooms	3,600	1,600	12,900	5,000
Meeting rooms and conference facilities	1,050	750	7,000	500
Canteen facilities	2,375	2,200	24,950	3,950
Wheelchair charging facilities	2,800	0	2,350	100
External doors other than entrances	11,750	24,250	17,250	4,200
<b>Totals</b>	<b>399,690</b>	<b>413,465</b>	<b>608,650</b>	<b>429,795</b>

### **Recommendations made by the Audit Committee in its report: *Procurement in the further education sector in Wales, 04-02, 25 April 2002***

- 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;
- 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;
- iii) the Council work with institutions to ensure not only that the information is available in order to make effective decisions about procurement, but also to facilitate the monitoring of the savings achieved over time;
- 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;
- 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;
- 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 an acceptable quality - remains their overriding priority in the procurement of goods and services;
- 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;
- 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]; and
- 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.

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