



House of Commons
Committee of Public Accounts

Improving procurement in further education colleges in England

Forty-first Report of Session 2006–07

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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Summary

The 2004 Gershon Efficiency Review¹ proposed procurement as one of the main sources of efficiency savings in the public sector. The Learning and Skills Council, which funds England's 384 further education colleges, estimates that from an annual procurement expenditure of £1.6 billion, colleges could make savings of £75 million by March 2008.

The savings made by colleges would be available to be redeployed into front-line services for learners. Until recently, many colleges have tended to treat procurement as a low priority and have not taken advantage of modern procurement methods such as purchasing consortia and procurement cards. They now need to modernise their systems so as to maximise the resources available for learning.

Colleges increasingly have staff who are capable of managing procurement, but they are too often let down by the low quality of the systems and the management information available to them. For example, some college systems cannot easily generate simple analyses that would allow staff to identify inefficient expenditure or the potential for better deals with suppliers.

The Department for Education and Skills (the Department) and the Learning and Skills Council have built up the support they provide to colleges wanting to modernise their procurement methods. There have been recent successes in persuading colleges of the benefits of joining purchasing consortia and using procurement cards. Indeed the savings target of £75 million may prove unambitious in light of the low starting point of many colleges. March 2008, when colleges make their first reports on savings to the Learning and Skills Council, will be a good time to consider whether greater savings can be made to be re-invested into services for learners.

On the basis of a report by the Comptroller and Auditor General (C&AG),² the Committee took evidence from the Department and the Learning and Skills Council about how colleges are developing their capacity to manage procurement more effectively and improve processes so that they can make savings.

1 *Releasing resources to the front line: independent review of public sector efficiency*, Sir Peter Gershon CBE, July 2004

2 C&AG's Report, *Improving procurement in further education colleges in England*, HC (2005–06) 1632

Conclusions and recommendations

- 1. Despite the scope to make savings which could be deployed to front-line services for learners, procurement remains a ‘Cinderella service’.** Many further education colleges have not given sufficient priority to procurement to make real improvements. Available technology has made efficient, electronic procurement more accessible and is enabling organisations to make savings by changing how they buy goods and services. College principals and governing bodies should identify in their business strategies the opportunities for achieving better value for money in procurement, and freeing up resources to be re-invested in frontline services for learners.
- 2. Poor management information and systems are major barriers to improving procurement in many colleges.** Most colleges are not using their existing accounting systems to generate basic analyses such as the volume of business they do with a particular supplier. The Learning and Skills Council should work with colleges to improve their systems and management information to a point where all can, as a minimum, easily identify expenditure patterns, suppliers and prices for basic items such as fuel, catering and stationery, so that they can assess whether alternative suppliers would offer better value.
- 3. The Department’s and the Learning and Skills Council’s small support teams have to reach 384 colleges with widely varying capacities for procurement.** The support has taken a number of forms, ranging from guidance and a dedicated website (the Further Education Library of Procurement)³ to visits to colleges to help identify directly where savings can be made. The Department and the Learning and Skills Council should develop ways of getting more expertise into colleges, for example by encouraging more ‘self help’ such as sharing experience of particular systems or consortia, and sharing lessons via the website, where colleges may add their own materials to develop a resource for the whole sector.
- 4. Some colleges’ reluctance to share good practice is another main barrier to improving procurement.** Colleges are most persuaded that procurement savings are worth the effort where they see evidence of other colleges making savings, but have been hesitant to publicise savings. The Learning and Skills Council should encourage colleges to recognise how they can strengthen their reputation as well managed organisations by demonstrating innovation and achievement. It should reaffirm its commitment that the savings colleges make will be available for them to spend on their learners.
- 5. There is a risk that colleges may not fully exploit the opportunities that consortia provide.** As at April 2007, some 300 colleges had joined the Crescent Purchasing Consortium, the main consortium operating in the further education sector. The Learning and Skills Council should establish a dialogue with the main consortia to ascertain progress and trends in colleges’ expenditure routed through them. It should

3 http://www.dfes.gov.uk/cpp/buyingguidance_currentoffers_14.shtml

expect the consortia to develop cost-effective arrangements for joint purchasing beyond straightforward items such as paper and standard items of stationery, for example by making available framework contracts.

6. **Though most colleges have joined procurement card schemes, 65 colleges have still not taken up this relatively simple, cost-effective form of procurement.** At present, 60 colleges are members of the Government Procurement Card scheme, while a further 192 are members of commercial schemes. All colleges should use procurement cards for relevant purchases, and the Council should develop clear guidance on using the cards including how, by using them appropriately, colleges can strengthen expenditure controls and reduce the risk of improper purchasing and fraud.
7. **The target of £75 million savings from procurement efficiencies may prove to be unambitious.** The Learning and Skills Council acknowledges that colleges could achieve this target easily if they made simple improvements to procurement methods. When colleges report progress in March 2008, the Council should consider setting a new target to reflect the large potential for procurement savings in further education colleges.

1 Modern procurement methods

1. Procurement is the whole life cycle process of acquisition of goods, services and works from third parties, beginning when a potential requirement is identified and ending with the conclusion of a service contract or ultimate disposal of an asset. The 2004 Gershon Efficiency Review⁴ proposed procurement as one of the main sources of efficiency savings in the public sector. The Learning and Skills Council, which funds England's 384 further education colleges, estimates that from an annual procurement expenditure of £1.6 billion,⁵ colleges could make £75 million savings by March 2008, which would be available to be redeployed into front-line services for learners.⁶

2. Many further education colleges have not given sufficient priority to procurement to make real improvements. Making savings from more efficient and effective procurement is one of a range of competing pressures on college managers. The Learning and Skills Council, together with the Department for Education and Skills, is seeking to convince colleges that it is in their and learners' interests to obtain better value for money on the goods and services they purchase. There are indications that colleges have placed a higher priority on procurement since the National Audit Office published its Report,⁷ though there is still much room for improvement.⁸

3. The Department considers that colleges employ staff who are capable of making improvements in procurement. Compared with similar organisations in the private sector, however, progress in many colleges is limited by the systems available to support procurement. The National Audit Office found that three-quarters of colleges could not readily provide a breakdown of the amount they spent on basic categories such as water, energy and catering supplies. In most cases, colleges do have accounting information about how much they have spent, but the systems are not designed in a way that allows them easily to itemise the value and volume of individual categories of expenditure and contracts. As a result, many colleges' contract and supplier management is at a basic level (**Figure 1**). Unless relevant analysis is made available, it will be difficult for colleges to improve their procurement. The Department and the Learning and Skills Council issued guidance in July 2006 on how to derive useful analyses from existing data, and have set up pilot schemes to demonstrate how colleges should go about analysing their management information.⁹

4 *Releasing resources to the front line: independent review of public sector efficiency*, Sir Peter Gershon CBE, July 2004. The Department's Gershon target for procurement-related expenditure was £1.4 billion for education and children's services, including savings on capital expenditure.

5 This figure is based on an analysis of college account returns to the Learning and Skills Council for 2004–05. It includes administration and general costs, premises costs and non-pay teaching and support.

6 C&AG's Report, Executive Summary, para 1

7 C&AG's Report

8 Qq 1, 13, 14, 18, 59, 64

9 C&AG's Report, paras 3.4, 5.6, Figure 17; Qq 6, 24

Figure 1: Contract and supplier management

97% of colleges monitor expenditure by budget heading, but only 67% monitor by supplier
32% of colleges do not monitor and evaluate supplier performance
46% of colleges do not give suppliers feedback on their performance
46% of colleges use the results of performance reviews to inform supplier selection
73% of colleges do not have any supplier partnership arrangements
57% have an approved supplier list; 63% of those with a list make its use compulsory; only 16% monitor expenditure on suppliers not on the list.

Source: National Audit Office survey of colleges

4. All colleges have finance directors who should take the lead on analysing costs to identify the potential to achieve better value for money. Governors—many of whom have professional experience of running efficient organisations—can play an important role by challenging managers to demonstrate that they are making improvements. The National Audit Office found that only one third of colleges responding to its survey reported efficiency savings to their governing body, indicating that many colleges could do more to review and challenge the efficiency of their operations. The Learning and Skills Council was planning to write to college governors to suggest raising the priority of procurement.¹⁰

5. Colleges need only take simple steps to make considerable financial savings on procurement. Joining a purchasing consortium (a group of organisations coming together to carry out collective purchasing) is one of the easiest ways for colleges to achieve better value for money. For example, a college that joined a purchasing consortium saved £40,000 on stationery alone in the first six months, and another saved £23,000 a year on its photocopier contracts (**Figure 2**). The Learning and Skills Council is seeking to use such examples to demonstrate to colleges how readily they can make substantial improvements to their procurement practices, potentially achieving the £75 million savings target by adopting relatively simple measures. More experienced users can go on to make savings on more sophisticated commodities such as hardware purchases and insurance contracts.¹¹

Figure 2: Savings from using Consortia

- On joining The Crescent Purchasing Consortium in October 2002, Blackburn College switched to Crescent's stationery contract and saved approximately £40,000 in the first six months.
- Salford College has saved £23,000 a year since 2003 on its photocopier contracts, compared to baseline spending of £79,000 in 2002–03, by using the consortium's preferred suppliers.

¹⁰ C&AG's Report, para 2.4; Qq 12, 14, 28

¹¹ C&AG's Report, Appendix 6, p. 37; Qq 63–64

6. The Learning and Skills Council acknowledges that colleges need to be more willing to adopt pooled purchasing of commodities that they all buy in large quantities, such as electricity. College membership of the Crescent Purchasing Consortium, a consortium operating in the further education sector, rose to around 300 in April 2007. Experience in other sectors has however shown that increased membership is not always matched by a substantial rise in the proportion of purchasing budgets spent through consortia, so it will be important to monitor trends in actual expenditure.¹²

7. Many colleges have taken up procurement cards since the National Audit Office report was published. A procurement card is a charge card that college staff can use to make purchases directly from suppliers. It is an efficient method of purchasing low-cost high-volume items, and can substantially reduce transaction costs. For example Blackpool and The Fylde College reported savings of £20,000 per annum in transaction costs through the introduction of the Government Procurement Card. Appropriately used, the cards can also improve expenditure controls by allowing transaction and monthly spending limits to be set and enforced, restricting the cards to business with particular suppliers and supporting regular reporting of transactions.¹³ Previous National Audit Office reports have estimated that in central government an average efficiency saving of £28 per transaction can be made from using procurement cards rather than traditional paper-based methods.¹⁴ To date, 67 colleges are using the Government Procurement Card, 60 in discussion about using it and 192 are using other cards. Sixty-five colleges are still not using any card, and the Learning and Skills Council is continuing to persuade them of the benefits of adopting this method. Where possible, the Council is also urging colleges to switch from commercial cards, which may bear a fee, to the Government Procurement Card contract.¹⁵

12 Qq 10, 27, 62–64

13 C&AG's Report, Appendix 7, page 40

14 C&AG's Report, *Improving Procurement*, HC 361, Session 2003–04, Figure 24.

15 Q 13

2 Incentives for effective procurement

8. The £75 million savings target may not be sufficiently ambitious. The Learning and Skills Council based it on an average saving of 5% over two years on an estimated £750 million per year expenditure on 'administrative and operating' goods and services. Modest improvements to procurement procedures across all colleges would go a long way to achieving the target. For example the National Audit Office found that 40% of colleges responding to its survey were letting some large contracts without competitive tendering, thereby reducing the likelihood of getting good value for money.¹⁶

9. The Learning and Skills Council acknowledges that the target may not be especially ambitious, but considers it a sensible target for now given the current weaknesses in procurement. By March 2008, the Department and the Council will have a clearer picture of whether colleges are making the expected savings. By then, colleges will have submitted their annual returns for the previous year which, seeking to minimise bureaucracy for colleges, include a small number of questions on the savings achieved from making procurement more efficient. Colleges can measure savings using the efficiency model supplied by the Department. The Department and the Council will then be able to use this information to assess whether a more challenging target should be set.¹⁷

10. Colleges are autonomous bodies and the Learning and Skills Council has limited leverage over their day-to-day operations. Its funding levers are geared more towards improving the outcomes and experience of learners and for employers, rather than the detail of how colleges are run. The Council has therefore worked through persuasion rather than enforcement to improve procurement. The Department and the Council have been working to reduce the complacency in some colleges, and to encourage more positive thinking about what can be achieved. In addition to issuing guidance, the Learning and Skills Council has set up a dedicated website, the Further Education Library of Procurement. The website aims to help with the procurement issues that can arise in colleges and to provide an on-line repository of useful, up-to-date information on procurement. The Council is encouraging colleges to view the website as a resource they can contribute to themselves and use to share information and good practice.¹⁸

11. Staff in the Learning and Skills Council's procurement team have visited around 250 colleges so far to explain first-hand how procurement in their particular college can be improved. They have used the visits to explain to college staff the benefits of making changes such as using purchasing consortia. The Council has also set up 19 local networks of college procurement staff to help create a culture focused on efficiency and improvement.¹⁹

12. Many colleges are reluctant to be open about their procurement arrangements, which makes it difficult to spread good practice and can hamper efforts to improve value for

16 C&AG's Report, para 1.3, Figure 16; Qq 3, 17, 64-65

17 Qq 4-5

18 Qq 2, 11, 19-22

19 Qq 17, 55, 57

money. Historically, colleges have seen themselves as in competition and have been unwilling to share information, especially financial information. Colleges may also be reluctant to share such information because they fear that any savings will be removed when their funding is reviewed. The Learning and Skills Council has emphasised to colleges that any money they save can be used directly for the benefit of learners. The rising number of colleges joining purchasing consortia indicates that the barriers to collaboration are beginning to be broken down.²⁰

20 C&AG's Report, para 6.3; Qq 10,16, 46

Formal minutes

Wednesday 27 June 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr David Curry

Mr Ian Davidson

Mr Philip Dunne

Dr John Pugh

Mr Alan Williams

Mr Iain Wright

Draft Report

Draft Report (Improving procurement in further education colleges in England), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 12 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-first Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 9 July at 4.30pm]

Witnesses

Monday 18 April 2007

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Mr Ian Taylor, Director of Procurement Performance, Department for Education and Skills, and **Mr Mark Hayson**, Chief Executive, Learning and Skills Council.

Ev 1

List of written evidence

1 Learning and Skills Council

Ev 11

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First Report	Tsunami: Provision of support for humanitarian assistance	HC 25 (Cm 7018)
Second Report	Improving literacy and numeracy in schools (Northern Ireland)	HC 108 (Cm 7035)
Third Report	Collections Management in the National Museums and Galleries of Northern Ireland	HC 109 (Cm 7035)
Fourth Report	Gas distribution networks: Ofgem's role in their sale, restructuring and future regulation	HC 110 (Cm 7019)
Fifth Report	Postcomm and the quality of mail services	HC 111 (Cm 7018)
Sixth Report	Gaining and retaining a job: the Department for Work and Pensions support for disabled people	HC 112 (Cm 7019)
Seventh Report	Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements	HC 133 (Cm 7020)
Eighth Report	Tackling Child Obesity—First Steps	HC 157 (Cm 7020)
Ninth Report	The Paddington Health Campus Scheme	HC 244 (Cm 7076)
Tenth Report	Fines Collection	HC 245 (Cm 7020)
Eleventh Report	Supporting Small Business	HC 262 (Cm 7076)
Twelfth Report	Excess Votes 2005–06	HC 346
Thirteenth Report	Smarter Food Procurement in the Public Sector	HC 357 (Cm 7077)
Fourteenth Report	Ministry of Defence: Delivering digital tactical communications through the Bowman CIP Programme	HC 358 (Cm 7077)
Fifteenth Report	The termination of the PFI contract for the National Physical Laboratory	HC 359 (Cm 7077)
Sixteenth Report	The Provision of Out-of-Hours Care in England	HC 360 (Cm 7077)
Seventeenth Report	Financial Management of the NHS	HC 361 (Cm 7077)
Eighteenth Report	DFID: Working with Non-Governmental and other Civil Society Organisations to promote development	HC 64 (Cm 7077)
Nineteenth Report	A Foot on the Ladder: Low Cost Home Ownership Assistance	HC 134 (Cm 7077)
Twentieth Report	Department of Health: The National Programme for IT in the NHS	HC 390 (Cm 7152)
Twenty-first Report	Progress in Combat Identification	HC 486 (Cm 7151)
Twenty-second Report	Tax credits	HC 487 (Cm 7151)
Twenty-third Report	The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies	HC 488 (Cm 7152)
Twenty-fourth Report	Ofwat: Meeting the demand for water	HC 286 (Cm 7151)
Twenty-fifth Report	Update on PFI debt refinancing and the PFI equity market	HC 158 (Cm 7152)
Twenty-sixth Report	Department for Work and Pensions: Progress in tackling pensioner poverty—encouraging take-up of entitlements	HC 169 (Cm 7152)
Twenty-seventh Report	Delivering successful IT-enabled business change	HC 113
Twenty-eighth Report	ASPIRE—the re-competition of outsourced IT services	HC 179
Twenty-ninth Report	Department of Health: Improving the use of temporary nursing staff in NHS acute and foundation trusts	HC 142
Thirtieth Report	The Modernisation of the West Coast Main Line	HC 189
Thirty-first Report	Central government's use of consultants	HC 309
Thirty-second Report	The right of access to open countryside	HC 91
Thirty-third Report	Assessing the value for money of OGCbuying.solutions	HC 275
Thirty-fourth Report	Recruitment and Retention in the Armed Forces	HC 43
Thirty-fifth Report	BBC outsourcing: the contract between the BBC and Siemens Business Service	HC 118
Thirty-sixth Report	Reserve Forces	HC 729

Thirty-seventh Report	Child Support Agency: Implementation of the Child Support Reforms	HC 812
Thirty-eighth Report	Sure Start Children's Centres	HC 261
Thirty-ninth Report	Preparations for the London Olympic and Paralympic Games – risk assessment and management	HC 377
Fortieth Report	Dr Foster Intelligence: A joint venture between the Information Centre and Dr Foster LLP	HC 368
Forty-first Report	Improving procurement in further education colleges in England	HC 477

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 18 April 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Philip Dunne

Mr Iain Wright
Derek Wyatt

Sir John Bourn, Comptroller and Auditor General, and **Ms Angela Hands**, Director, National Audit Office, were in attendance and gave oral evidence.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

IMPROVING PROCUREMENT IN FE COLLEGES IN ENGLAND (HC1632)

Witnesses: **Mr Ian Taylor**, Commercial Director, Department for Education and Skills, and **Mr Mark Haysom**, Chief Executive, Learning and Skills Council, gave evidence.

Q1 Chairman: Good afternoon. Today we are considering the Comptroller and Auditor General's Report, *Improving Procurement in Further Education Colleges in England*, and we welcome Mark Haysom, who is the Chief Executive of the Learning and Skills Council, and Ian Taylor, who is the Commercial Director at the Department for Education and Skills. Mr Haysom, perhaps I could start with you. Would it be fair to say that many colleges have not taken procurement very seriously, in which case what leverage do you have on them to try and ensure that they buy goods and services as efficiently as possible?

Mr Haysom: Perhaps I can just start off by saying that both Ian and I are delighted to be here because we do believe it is a real opportunity to cast a spotlight on this whole area of our work and I think your question, Mr Chairman, goes absolutely to the point, which is just how we can get FE colleges to raise this whole issue up their list of priorities. Do I think they are taking it seriously enough? I think it is very, very difficult. I think there is such a long list of priorities for so many parts of the public sector and FE, as you will recall from previous occasions when I have been here, and there is a whole raft of things we are trying to do with FE, so to get this particular issue at the heart of what they are doing is tough. Should they be doing more? Absolutely, they should be doing more, and the Report makes that very, very clear and we have a very clear strategy for helping them to do more.

Q2 Chairman: And you have sufficient leverage to make them take this subject seriously?

Mr Haysom: I think that is an interesting question, is it not, because we all know that colleges are autonomous and are given freedom to operate and we want them to be free to operate in the way they do because there are huge benefits and a huge upside in them doing that, so us insisting that they do things is not a terribly clever thing at all. I think what we

have done by being very clear, given the target for efficiency across the whole FE sector, is very helpful because it focuses their minds and then there is a whole raft of activity, which I am sure we will come on to in the session, that we are backing that up with in order to get the focus. That is different from leverage, but I think it is the activity that is the important thing.

Q3 Chairman: If we look paragraph 1.3 on page 7, that is about the Council estimating, it says, "the scope for savings from procurement to be £75 million . . . based on an estimate of £750 million a year spend on 'administrative and operating' goods and services", and that estimate is, according to footnote 9, an "early estimate by the Learning and Skills Council". Because this is an early estimate, I wonder whether this figure of £75 million is sufficiently ambitious.

Mr Haysom: You may argue that it is not.

Q4 Chairman: Do you want to give us another estimate?

Mr Haysom: No, I do not. Certainly my business experience before coming into this is that you would say that the kind of level of saving and efficiency gain that we are targeting here is not overly ambitious, but if you look from where we are starting, you would say that it is a sensible and stretching target at this stage.

Q5 Chairman: How do you know you are going to achieve it or when you have achieved it?

Mr Haysom: Well, we do not know at this stage because we are only now in a position where we are starting to get early returns to our efficiency measurement model, which again I am sure we will come on to. Those returns are giving us some early signs of optimism, although it would be very, very dangerous and wrong to extrapolate from what we have got so far, but we will know certainly a lot more

 Department for Education and Skills & Learning and Skills Council

in a few months' time. Colleges are going to have to complete in their annual return four questions about efficiency. The efficiency measurement model that has been designed is going to help them answer those questions. Their return has to be in by December and we will know next March whether we have actually done it or not.

Q6 Chairman: Mr Taylor, you have obviously had a very distinguished career, looking at your CV, in the private sector and you are now in the public sector. How do you think the private and public sectors in this area compare in terms of competence in procurement?

Mr Taylor: In terms of individuals with skills across the public sector, I have been really impressed by the calibre of people we have got. Where we let ourselves down, I think, is in the systems, infrastructure, the management information, and in many of the things we are seeing coming out of this Report where the public sector is definitely lagging behind the private sector. What is pleasing, coming into the Civil Service, is frankly the opportunity to contribute to getting that right and in many ways the FE sector is a really good example of where there is huge potential to make savings which will have a real benefit to learner education if we can recycle funds into colleges and it is from such a poor starting point, so there is everything to be gained, but I would underline Mark's comment about the savings targets. When we are dealing with 384 autonomous institutions with not much of a real history of procurement, starting from scratch only a year or two ago, to get to 5% or 7% of savings per annum and sustained will be extremely difficult.

Q7 Chairman: But this figure of £75 million is good enough for the time being, is it?

Mr Taylor: Yes, we think it focuses our minds on what we should be doing and, if everything works, it is an achievable and stretching target.

Q8 Chairman: You mentioned that they have very little information, compared to the private sector, of what is going on. This is mentioned, I think, in paragraphs 3.2 to 3.5, if you could have a look at those. It really begs the question: how can they manage procurement if they have so little information?

Mr Taylor: It is going to be really difficult. In any private sector organisation starting off from a similar starting point, the first thing is to understand what you are spending. Without that, you are flying in the dark. Most colleges have real difficulties from a procurement perspective with their financial systems. The systems they have, like in many SMEs, are not really geared to providing the kind of analysis that a procurement professional would need. We are working with 12 colleges on a pilot to understand how we can use tools and techniques to get colleges to do the analysis themselves and start to work at this, and I think there is an initiative in the north-east of England, using another system, again using our guidelines which we published in July

2006, to begin to tease out what the issues are about spend analysis and how we can convert that into savings, targets and projects.

Q9 Chairman: You would have thought they must buy many similar things.

Mr Taylor: They do.

Q10 Chairman: Presumably you are helping them to collaborate, are you, in that?

Mr Taylor: Yes, across a whole range of different strategies. We have been working with a purchasing consortium which is focused particularly on the FE sector, the Crescent Purchasing Consortium (CPC), an offshoot of Salford University, and they have been increasing their membership of colleges, so they have just about 300 colleges which have signed up as members with more to come. We are working at a local level with the LSC and the procurement team, some of whom are sat behind me, working through regional networks to get different colleges talking to each other, and very often colleges next door to each other are competitors or rivals, so that is quite an interesting challenge, and helping colleges understand that there are deals out there already where they are looking out for emergency buying solutions through some of the local authority consortia. That is beginning to have traction and we are seeing the numbers heading in the right direction. There is a greater use of consortia than there was even a year ago and even CPC, which is fairly small consortium, has doubled its turnover in two years as it has gained more customers within the setting.

Q11 Chairman: It says in paragraph 4.3 that, "Colleges are not always aware of the sources of advice available to them". Do you think that there is more work that you could do, Mr Taylor, in ensuring that the advice is easy for them to obtain and simple and as much as possible from one source?

Mr Taylor: Yes, and when this Report was being researched and written, we were just at the beginnings of the development of our strategies in the FE sector, both the LSC and my team, so there are various comments in the Report about not knowing where to look or not knowing where to get advice. Right now, they have an online website with tools and techniques, template documents, examples of procurement strategies, commodity information and a thing called 'FELP', which we have taken from the higher education sector and modified for further education. Mark's team in procurement is out there and they have spoken to a significant number of colleges and are running networks, so there is a verbal interaction as well as the online interaction, and we have issued two sets of guidelines in the last year, so, if anything, we are beginning to overburden colleges with the kind of advice that they need.

Q12 Chairman: Mr Haysom, it says in paragraph 2.4, "We found little evidence of governor involvement in procurement; only 34% of the colleges report efficiency savings to their governing body". There must be many business people sitting

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on these governing bodies who, you would have thought, would have real expertise which is obviously not being used at the moment, so what are you doing about it?

Mr Haysom: Again you are absolutely right. I think that the role that governing bodies have to play in this whole domain of getting colleges to act much more efficiently as businesses is very, very important. What are we doing about it? Well, actually I think it is this month that we are writing to governors, sending a message to all governors, alerting them to the work that is going on and encouraging them to get this on their agenda.

Q13 Chairman: My last question is that it mentions this e-procurement card in paragraph 3.10 and are you ensuring that they are all using this card, these colleges?

Mr Haysom: We are working very hard at that and I have to say that that is one of the areas that there has been very, very good progress in. One thing that the Committee does need to realise is that this data was collected, I think, just a month after the start of our procurement team, so the procurement team had been in place for just a month and an awful lot of activity has taken place since then. Specifically in terms of the cards, there are only 65 colleges now not using any card. There are 67 using the government procurement card, there are 60 in discussion about using the government procurement card, 192 are using other cards and we are trying to encourage them to migrate to the government procurement card, and now we are naming and shaming, as it were, the 65 remaining colleges.

Q14 Mr Wright: I want to pick up on a point which the Chairman has already covered which is the use of governors in this. Mr Haysom, you mentioned earlier on about the number of priorities that FE colleges have. Have you not sort of hit the nail on the head there by saying that there are so many priorities that people involved in running FE colleges are involved with that this is going to be so low down the priority pecking order and nothing is going to happen? For example, people do seem to be generally aware of what goes on. In paragraph 3.8, it says that the colleges have a fair level of awareness of the options available, but the use of them is patchy, so the idea is that, "The LSC have burdened us, as FE colleges, with a whole range of things that we have to do and we are very sceptical about the actual savings that can be produced, therefore, we're not really going to devote a lot of time to it". Is that right?

Mr Haysom: I really hate to think that the LSC have burdened them with a lot of priorities. I think what we have been working very hard to do over recent years is to simplify the relationship with colleges, but to do that in order that they can concentrate on government priorities, so the big changes that the Government wants to see driven through the FE sector. That does mean that a huge amount of attention is going to go on to those things, which is about hitting government priorities in terms of the types of learning, which is Level 2 basic skills,

responding to the whole Leitch agenda, responding to the whole demand-led agenda and so on and so on, so you are right that that is where the squeeze starts to happen, so getting the senior management of colleges to focus there on this particular issue is very difficult. However, what we are trying to do is to put this into a context which is about how colleges are going to be successful going forward, so it is not, "Can we tackle this small efficiency thing?" which actually in isolation feels difficult and feels not as important as some of the other things, but we are saying, "If you're going to be successful in a world going forward, particularly under a demand-led system", which is what we are moving to across FE on the adult side, "then you are going to have to run your business very, very effectively as a business, and part of that has to be to really maximise your control and efficiency in terms of the costs side".

Q15 Mr Wright: Many years ago I used to be an auditor and I used to audit FE colleges. It is not actually that long ago, to be honest, but I remember FE colleges' finance directors and chairs of audit committees complaining in terms of the level of management information that was required by the LSC, how many times a student sneezed in a day. Given the importance of saving money for the public purse, is there going to be from the LSC a corresponding fall in the amount of management information required to allow colleges to build up to doing things that really matter, such as efficiency savings and then reporting on the recruitment and retention of students?

Mr Haysom: As I have just said, over the last few years, probably since you have ceased to be an auditor, we have been working hard to reduce the burden on colleges. I am not sure that I take the characterisation of how many times a student has sneezed in a day, but I take the point, which is why we have been trying hard to reduce the burden and to get them to focus on the things that are required for running a business. I am not sure, however, that it is entirely appropriate even in that scenario that we then burden them with a whole load of questions about procurement because what we want them to do is run their own show and run it efficiently and effectively, so that is why we have got four questions that we have built into the annual return which are there for us to be able to capture the basic information, and then we are giving them the tools all around that to enable them to tackle this with the seriousness that it deserves.

Q16 Mr Wright: There does seem to be, does there not, a very poor level of accounting and management information in relation to this? I think the Chair has already touched upon the idea that it is only a very small minority of governing bodies that have efficiency savings reported to them. On page 14, I was particularly concerned with paragraph 3.5 where it says that 36% had information on the volume of purchases by supplier and particularly table 7 which showed that on a whole range of goods and services purchased there was very, very little information. Does that reflect

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the very poor level of information within FE colleges or does that show a reluctance on the part of FE colleges to give that information to the NAO?

Mr Haysom: I think we need to be very careful here. FE colleges generally have pretty good management information. I think Ian made the point earlier that it is not necessarily management information that is geared towards this whole procurement area, and Ian may wish to talk some more about that because I think that is the important thing, that colleges do have good management information. As to whether colleges are reluctant to share information, I think that is a very interesting point and I think colleges sometimes are reluctant to share information for any number of reasons: one, because they think the more they share, the more you are going to ask them; and two, perhaps there is a fear in this whole area, and it is actually one thing which would be useful to try and dispel today, that by revealing savings and efficiencies that they are making, we are then going to come along and take that off of them. That is not the intent. The intent is to free up the money in the system so that it can go to the front line, and £75 million buys the equivalent of 50,000 adult Level 2 qualifications, so it is a prize worth going for and what we are trying to do is get them focused on that as the prize and to get past perhaps, if there is a fear, that fear of sharing.

Q17 Mr Wright: You say that the level of information is good, but I was concerned, reading the Report, particularly table 16 which is on page 25, that there does seem to be inadequacy in the level of internal controls with regards to tendering and procurement and in some respects the table says it for itself, that, “40% of colleges had let contracts for over £50,000 without tendering”, and the value of the largest contract awarded without tendering averaged close to £130,000 across colleges. These are big sums of money and it almost seems a sort of lackadaisical approach to say, “Oh, we’ve used Mr Bloggs for some time, so let’s use him again” without testing the market. How are you going to change the culture and how are you going to improve the system of internal controls to ensure that this attitude does not stay in there for very long?

Mr Haysom: You are absolutely right, that this is a culture change that we are embarked upon and, as Ian started to describe and as I have, there is a whole raft of activity which we have been engaged in which is about winning hearts and minds as much as anything else. There have been some really positive things in the last year or so and one of the most positive I would take, I do not know what Ian’s view would be, is that we have got network meetings up and running on a regional basis, so there are 19 networks up and running, 17 have actually met so far or 18 have met because one met yesterday and 240/250 people have attended those network meetings and are attending those meetings on a regular basis and really engaging on this. Now, the trick, I think, is that when those people go back to the ranch, it then does not become something that is way down the priority list again and they cannot

actually get senior engagement in that, and that is the issue, hence the question about governors’ engagement.

*The Committee suspended from
3.53pm to 4.13pm for a division in the House*

Q18 Mr Wright: I have one final question, please. My understanding is that Gershon was about three years ago and, from reading this Report, it seems that the LSC and the Department for Education and Skills have been very slow in trying to change the culture and push the leverage. What is going on in terms of that? What extra things were put in place? From reading the Report, I was quite unimpressed actually.

Mr Haysom: I think you have to bear in mind the fact that the Report was written so soon after the small, dedicated team was put in place. The activity since, I have to say, I think is hugely impressive, it really is. They are a very small team, massively enthusiastic, and making a real difference. Were we slow in terms of responding to Gershon? I do not think so. I think you will find that we were ahead of most and I would be interested in Ian’s view on other parts of the system. In fact, the £75 million efficiency target, the way that that came about was that we launched within the LSC our *Agenda for Change* which I think we talked about previously in one of these sessions and we identified within that that one of the big themes that we needed to get colleges to respond to was this whole idea of business excellence with efficiency at the heart of it, so we were driving in that direction and Gershon came along and it came together from that point on. I think the activity since has, with respect, been, as I say, very, very impressive indeed, but maybe Ian wants to comment on that.

Mr Taylor: We are just entering the third year of Gershon’s three-year period, ending in March 2008, and I think it is fair to say that across government, procurement was given a really big kick or boost by Gershon and made it a really serious agenda item and the history within the education sector of procurement was minimal. There was quite a lot of effort in universities, but in schools, colleges and children’s services it was very, very immature and very, very patchy, which is probably why I am here because the Department was gearing up pretty quickly in 2005 to respond to Gershon and I think the success story is how quickly we have been able to mobilise, create different projects and start to create an impact. The obvious question is: how much further can you go? Clearly there is an awful lot more that we can do based on the really good starting point that we have got and I think you will be finding lots of new initiatives, and intensifying existing initiatives around things like e-procurement, the cards and the use of consortia. We are pretty clear that the strategies we have got in place are the right ones, all our experience tells us that is the case, and the response of the sector has been very, very good, and we now need to keep working at making sure that we get greater market penetration and greater impact from the things that we have started to do.

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Mr Wright: Thank you, Chairman.

Q19 Mr Dunne: Could I follow on from what Mr Wright was discussing in relation to the management and governance that your Department and your Council have exercised over these colleges. If we turn to page 6, there is a helpful footnote in the NAO Report which describes the annual funding agreements which the Learning and Skills Council have with each college. If you then contrast that with table 4 on page 7, it suggests that there is a dual reporting structure for each college, one to the governing body and then separately up through the regional LSCs to Mr Haysom's team and then to the Department. Could you just explain, following on from the leverage question Mr Wright asked, how it is that you can actually influence the financial management of these colleges from the centre?

Mr Haysom: I think I tried to do that earlier and I will have another go at it. What we do is we fund the provision of education, so we fund courses. What we do also from the centre is actively encourage colleges, as I said earlier, to run businesses as businesses. We ask them to report on a number of items, which Mr Wright has already commented on, on an annual basis. Within that now, we are asking some very specific questions, a few, but specific questions about procurement and about efficiency gains, so we are creating some leverage for us within that, but the responsibility for running the business, if I can put it that way, is with the governing body and the executive team of the college. What we are saying is that there are gains to be had, that this is the way you go about it, and we are trying to make it as easy as we possibly can for colleges to engage. I think we spend a lot of time trying to demystify all of this and we spend a lot of time trying to get past the idea that, "Oh, we're efficient anyway, so we don't need to get engaged", so we have injected a huge amount of activity into all of this, but all we can do is that, plus ask the questions, plus create the tools and it is the responsibility of the business unit, again if I can use that language, itself to run its own business.

Q20 Mr Dunne: Have I misunderstood the footnote? Is it not an annual agreement in which you determine how much funding each college will get?

Mr Haysom: Yes.

Q21 Mr Dunne: So you could determine next year that they will get, say, the equivalent of 5% less on their procurement aspect and impose that saving upon them?

Mr Haysom: We could, but, I have to say, that would not be a terribly clever way of going about it. There is something of a history here within the sector, a history of efficiency gains year on year and absorption of those percentage increases in cost which did not actually reap much dividend other than the threadbare estate and a reduction in quality of what was being delivered. That is not what we are trying to do here. What we are talking about here is not just cost saving, and I think that is an important point, it is about value for money as much as anything. It is not just cashable savings, it is also

other savings, and it is about making sure that the college runs itself as best it can, knowing that, in doing that, it is actually creating opportunities for itself to do better things for its learners. That has got to be a much, much better approach. It is more difficult, but it has got to be a better approach.

Q22 Mr Dunne: So this is a choice that you are making? You have the power, you have the tools, if you want to, to impose cash constraints from year to year, but you are choosing not to exercise them?

Mr Haysom: It does not quite work like that. I suppose what we could do is cut the unit of funding for different kinds of courses. I suppose we could do that, but that is certainly not what we see as our job here and it is certainly not what the Government is asking us to do. In fact, there has been a significant injection of funding, as you know, in unit prices and it has actually raised the quality of what is happening across the whole of FE and indeed narrowed the gap with the sixth form, so that is not the approach that has been taken here at all.

Mr Taylor: If I may, I would reinforce the point that we are trying to win hearts and minds here, we are trying to promote procurement, and there is a heck of a lot we can do with the carrot rather than the stick, and to wield the stick too soon would probably be a big turn-off to colleges.

Q23 Mr Dunne: I come from the perspective where devolving power, I think, is the right approach, so I am not actually being critical, I am just trying to understand what powers you have at your disposal if you want to use them. Again I am unfortunate in having followed Mr Wright because the issue I wanted to raise he has already raised, so I will try and approach it from a slightly different angle. If you turn to page 14 again, table 7, and I appreciate what you say in terms of the responses that came through to the NAO, but it seems to me very surprising that such a low percentage of colleges were able to respond with detailed information on their cost base. I note, Mr Taylor, that you are the governor of two schools. I am the governor of a school and I am well aware of the extent to which discretionary spend in the cost base of a school is very, very limited and, as a governor, I happen to have been chairman of the finance committee, so it may well be that I take a higher interest in this than other governors, but the primary function of the governing body, apart from the educational aspect, is to make sure that the school runs within budget. If the information is not good enough to be able to tell how much they are spending on their fuel bill, for example, then there is something seriously wrong with the financial information within that body. Could you comment on your experience of the quality of financial information, and I know you touched on it earlier?

Mr Taylor: I think it is probably more of an ability to analyse and understand what the question was and take data from the finance system and convert it into something that is useful from a procurement perspective, so yes, I think some of these percentages are surprisingly low. My schools would be able to come up with a much better analysis, I think, from

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the data that we have because I have done it myself, but, equally, I think it gives us the opportunity to chart improvements. It clearly is the case, given this quality of information, that colleges are not yet terribly advanced in terms of procurement and there is a huge opportunity to make progress. What we have to do is make sure that they can analyse the data they have got properly.

Q24 Mr Dunne: I accept that for procurement there is the information base. Have you looked at the quality of information and what have you done since getting this Report in relation to this aspect about understanding what is happening within colleges and their financial control and management?

Mr Taylor: The procurement team in the LSC are tackling individual colleges that want to understand their spending patterns a lot more and, in doing so, are learning quite a bit about how colleges could analyse their data so that that can be passed on to the next colleges which ask the question. We have got pilots running with a couple of tools or systems which will help do the analysis on a more automatic basis to see what the output from those pilots is, and that is coming through, I think, if not this month, then next month. That then gives us a platform to say to many colleges, if not all colleges, "This is the best way of using technology that is available with your systems to give you a really good starting point for procurement". We have had guidance out since July 2006 on how to do it and we now have a process or the challenge of getting people to use that for a purpose that is perhaps not within their normal purview; they have been analysing chartered accounts and report accounts and so forth, but not using that data for a procurement purpose. I would quickly add that many private sector organisations in a similar state who have not looked at procurement before face exactly the same problems, that there is an understanding analysis issue before you can start tackling the opportunities issue.

Mr Haysom: I was about to make the same point, that, in my experience of being in an industry where a lot of companies are acquired, you always start from this base of trying to get the information in the shape that you need it. It does not mean that there is not the information required to run the business, but it is the ease with which you can extract it, the cost codes that you are using and mapping that against a common set of accounts. All of that sort of stuff takes time and I think that the chart on page 14 probably suggests the ease with which they could get to this rather than the fact that they could not get to it at all, or I suspect it is that.

Q25 Mr Dunne: I hear what you say about needing to get systems on a common basis, but surely the fundamental job of the finance director of each of these colleges, and I assume they have each got a finance director or manager—

Mr Haysom: Yes.

Q26 Mr Dunne:—is to have a proper handle on the cost base that is within their discretion. Is that not their primary task?

Mr Haysom: It absolutely is. Whether they can extract the information in the way that is required for this particular exercise or whether they are looking at it in a different way through a different prism is another matter, and that is the bit, is it not?

Q27 Mr Dunne: That I accept, Chairman, but whilst we are using the word "procurement" to talk about spending money in a cost-effective way, actually procurement in a large number of these categories is just to do with information, "How much am I spending already on my heating bill?", and that is not a difficult thing and, however you ask the questions, you are able to provide the answer. I would like to move this on one stage further and for you to tell us what you are aiming to do to encourage, for example, pool-buying of electricity costs, as that is something which is now quite common and possible across different industrial sectors and the private sector and is indeed happening in other aspects of the public sector.

Mr Haysom: And that is one of the big surprises when you come into all of this, that some of that very basic and obvious stuff just is not happening. We are working very hard, as we have already said, to encourage collaboration between different colleges and between colleges and other parts of the public sector to actually take advantage of some of the blindingly obvious stuff. Crescent, which is the consortium which Ian mentioned earlier, the membership of that has grown from 100 and something to 300 in a matter of months. What we were trying to focus on in preparing for today, I was talking to my team, asking, "Where are some of the big wins?", and energy is one of them and those deals are there to be had, are they not, Ian?

Mr Taylor: They certainly are, yes, already available, and part of this is getting information out to colleges in a form which they can use.

Q28 Mr Dunne: To go back to your analogy of the incentive and the risk that if people make a saving or volunteer a saving, they are never going to see the benefit from it, are you not saying, given that you are not in a position to or you are choosing not to direct, are you not imposing some stick so that, in the event that they then do not in one or two years join up to some of these collaborative schemes, they will suffer some consequences?

Mr Haysom: I do not think we are into that phase at the moment. I think we are very encouraged by the fact that so many are signing up so readily at the moment. I think Mr Wright's comments earlier are absolutely right, that it is the cultural change that you need to drive from that point on which is the real challenge. I am not sure that you drive cultural change with sticks. I think the big stick that exists and which exists increasingly, the point I made earlier, is that the way FE colleges are going to have to operate in the future if they are going to be successful in this demand-led system where they are only paid absolutely on results, so only when an adult learner signs up will that trigger, it means they have to really act much more commercially and it does mean that their cost base has to be in great

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shape to be able to do that, so I think that is the real focus, that is the real concentration of the mind. One of the things that we are busy doing, which is not directly related to procurement, is that we are visiting every board of governors around the country, telling the message about the move to the demand-led system and making it really clear what it takes to succeed in this new world, and one of the things that it takes to succeed is running your business well and of course governors understand that absolutely.

Mr Dunne: Thank you, Chairman.

Q29 Mr Bacon: Mr Haysom, you are the Accounting Officer, are you not, for the Learning and Skills Council?

Mr Haysom: I am indeed, yes.

Q30 Mr Bacon: So I would like just to ask one question before we get on, and in a way it is about procurement, specifically about the procurement of the career development loans which you, I am sure, are familiar with. You are, as Accounting Officer, charged with looking after public funds and public funds are used in the creative element, as I understand it, to fund the interest payments of the loans that people take out to do training courses to help them get back into employment or to improve their skills. That is right, is it not?

Mr Haysom: That is right, yes.

Q31 Mr Bacon: You would not knowingly use public funds in that way to help fund training provided by convicted criminals, would you?

Mr Haysom: Not knowingly, no.

Q32 Mr Bacon: But you have been doing, have you not?

Mr Haysom: Forgive me, Mr Bacon, but I thought we were here to talk about procurement, although I am happy to discuss career development loans.

Q33 Mr Bacon: Are you familiar with the television report which was broadcast on the BBC a couple of weeks ago?

Mr Haysom: Yes, I am.

Q34 Mr Bacon: May I ask if you have done anything about it since the broadcast went out?

Mr Haysom: What we have done is we have looked long and hard about what we can do to help learners who are affected by that particular instance and by other instances of a smaller scale, the learning providers who fail and, therefore, the learners involved are then left with that debt and without the opportunity of completing their learning, so we have looked long and hard at what we can do in terms of helping them through the banks and we are looking to review where we are in terms of that whole programme and how we might actually run that programme.

Q35 Mr Bacon: Because it is about procurement, it is about the procurement of quality training that people can rely on.

Mr Haysom: Well, there is a policy that sits behind—
Chairman: It is a bit wide of what we are asking about.

Q36 Mr Bacon: But I am just interested because—

Mr Haysom: I do not think it is actually the target area at all.

Q37 Mr Bacon: I happened to be on a television programme a couple of weeks ago and this came up.

Mr Haysom: I would be delighted to meet you separately on this and talk to you about it.

Q38 Mr Bacon: I would be very pleased to do that, if we may. If we can move on, I have a question for the NAO. You did an investigation of the Manchester College of Arts and Technology based upon allegations that they had been systematically entering fraudulent figures by manipulating course registers so that students who were not there were shown to be there in order to inflate the monies that they were getting from the Learning and Skills Council. That is right, is it not?

Ms Hands: Yes, we did.

Sir John Bourn: Yes, we did.

Q39 Mr Bacon: Were you aware, in doing that, that large amounts of auditable records have been systematically destroyed?

Ms Hands: They were destroying records, and I would have to check with the Learning and Skills Council, but it was quite swift, the destruction of records. I think it was within a year.

Mr Haysom: I cannot recall whether it was within a year, but it was certainly quicker than is practice today.

Q40 Mr Bacon: In fact I believe I am right in saying that the Learning and Skills Council pointed out to the college that their destruction of the records was contrary to the financial memorandum that they should be kept for six years. That is right, is it not, that the LSC pointed it out?

Ms Hands: That is right.

Mr Haysom: We did, yes.

Q41 Mr Bacon: They subsequently said, and this was Geoff—he is your investigator, is he?

Mr Haysom: Yes.

Q42 Mr Bacon: The intelligence said that in fact, “They told our auditors that they do keep records for six years”, so whether they were lying the first time round, I am not sure, but is it possible if I can meet with you separately on this because it is of great concern to me?

Mr Haysom: Yes.

Q43 Mr Bacon: Then, if I may, I will come on to this Report which is also of interest.

Mr Haysom: I think, as a matter of record, it should be said that there was no fraud discovered and I think it would only be appropriate, Mr Bacon, if we

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actually, as a matter of record, just pointed that out and, as I say, we are quite happy to talk about these instances which are nothing to do with the Report.

Q44 Mr Bacon: Well, as a matter of record, they are allegations of fraud of £4–£5 million which is a very significant sum and the NAO's own Report says that that was an unsubstantiated estimate and that the college's estimate of the amount of funding that related to the allegations of fraud was £56,000, so it was not that there was no fraud, but the college's idea of how much fraud there could have been was very, very different.

Mr Haysom: Relating to the allegations?

Q45 Mr Bacon: Yes.

Mr Haysom: Yes.

Q46 Mr Bacon: Yes, they were allegations of fraud and obviously they were not necessarily proven, which might just be because the records were destroyed. I will move on to this Report, if I may. In recommendation 8, it states that, "One option would be to adopt a shared services approach for groups of colleges, whereby qualified procurement staff organise purchasing on behalf of members of the network". It says elsewhere in the Report that many FE colleges are not large enough organisations to buy or hire their own full-time procurement professionals, which is understandable, and it would seem, therefore, a very obvious solution, to share. Gershon has been going now for several years and I share the concern of other Members about this low take-up. For example, in figure 18 on page 27, 32% of colleges benchmarked their procurement with that of similar bodies and only 30 said they had made significant savings using consortia, and that is out of the 384. There was a pretty good sample that replied to this survey of the NAO's, about 150 or so or just under half of the colleges, so a very small proportion of the colleges said that they had made significant savings using consortia and an even smaller proportion, only ten, could actually quantify those savings. I suppose my next question is: why is there this reluctance on the part of colleges to collaborate more closely and work together since it is such an obvious response?

Mr Haysom: Yes, we have touched on some of that previously, have we not, and I can run through some of the things again. One of them, I think, is the feeling that this whole agenda, they have been there, they have got as efficient as they can and so on which is not the case, but there is a feeling about that. Two, there is no doubt that there is competition between colleges, neighbouring colleges in particular, and you can decide whether that is desirable or not, but there is competition and to get past that is sometimes difficult. I think it is difficult to get the most senior management sometimes within a college to focus on this agenda and it is only, I think, through leadership that you actually do start to change culture.

Q47 Mr Bacon: But, therefore, it is going back to what Mr Taylor said about communicating. I think what you said, Mr Taylor, is, "We now need to make

sure we get greater market penetration", and you were talking about communicating those points across to the management of colleges.

Mr Taylor: Absolutely.

Mr Haysom: I think we have had some considerable success in the last year in getting people to understand that collaboration is actually the most blindingly commonsense thing you can do and it is the biggest and simplest gain, and it actually takes a huge amount of pain out of the whole procurement process.

Q48 Mr Bacon: Yes, you would have thought so.

Mr Haysom: That is why the membership of the Crescent Purchasing Consortium has grown so rapidly and now stands at 300 and it is why there are other partnering opportunities that people are exploring with other parts of the system.

Q49 Mr Bacon: So the membership of the Consortium now stands at 300?

Mr Haysom: Yes, 300, and it is a rapid take-up.

Q50 Mr Bacon: So there are different consortia for different things?

Mr Haysom: Yes, and Ian is much better qualified than I am to talk about this, but this is the main one for FE and there are smaller ones.

Mr Taylor: Crescent connects to Salford University and that links into the university purchasing consortia which have been in existence for quite some time. We think there is about a 360 consortia membership, colleges participating in consortia of various forms.

Q51 Mr Bacon: Is Crescent Purchasing Consortium the biggest one?

Mr Taylor: Well, compared to the university ones, it is still comparatively small, but it is growing very quickly. Other colleges are using both university consortia and in many cases local authority consortia as well.

Q52 Mr Bacon: When I read in appendix 6 that, on joining Crescent, Blackburn College switched to Crescent's stationery contract and saved £40,000 in six months and that Salford College has saved £23,000 a year on its photocopier contracts, surely presumably anybody seeing those figures who was in a position of any kind of management responsibility would grab it with both arms, would they not?

Mr Taylor: And increasingly they are. As we get more case studies and as Crescent are better able to demonstrate the beneficial impact they have, as indeed the other consortia can have, then that begins the process of converting colleges from operating on a stand-alone basis, perhaps with a degree of ignorance about what is out there, into organisations which are taking the opportunities of liberating cash for their business.

Q53 Mr Bacon: This 300, that is out of the 384, is it not?

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Mr Taylor: Yes.

Q54 Mr Bacon: Have you identified the other 84 and are you now mounting, as it were, a blitz on them to say, “Why haven’t you done this?”?

Mr Haysom: Well, we know who they are obviously.

Q55 Mr Bacon: Do you know where they live?

Mr Haysom: Of course we know where they live and one of the things for which I am full of admiration for my small team is that they really do get out and visit the colleges and they work very, very hard on people that are not engaging and they have had some success.

Q56 Mr Bacon: Can you send us a list, a little note showing, of the 384, those who are in consortia as at today’s date and those who are not?

Mr Haysom: By all means.¹

Q57 Mr Bacon: It would be very, very interesting to see. Do you produce marketing materials to try and persuade them to join?

Mr Haysom: The personal effort of the team is, I think, the biggest source of marketing, it is knocking on people’s doors. There is some limit to what they can get into though because there are only four of them, soon to be five, but they have personally visited 250 colleges, which is quite something, is it not? The network meetings are really interesting where 250 members and 19 networks are now up and running, so all that kind of stuff is very important. Every single college has been sent guidance books inevitably, telling them how they should do things, they have all been sent copies of the efficiency measurement model, the website has been heavily marketed and so on and so on, so it is actually a hugely impressive array of activity.

Q58 Mr Bacon: Do they also know that in X financial year one or two years down the road the amount of money that they will get from the LSC is going to presuppose that they have achieved a certain amount of this? Is that how it works?

Mr Haysom: Well, no, it does not work that way.

Q59 Mr Bacon: Would it not give them a bit more encouragement if it did?

Mr Haysom: That is the kind of discussion we just had and that is not the way that we are choosing to do this because this is not just about cashable savings, this is about value for money, this is about making sure that the money goes to the front line, that it is not sucked out of the institutions, it is actually put into the institutions to the best advantage of the learner, so that is the approach that we are taking.

Q60 Mr Bacon: But you would say that the reluctance that is portrayed in this Report is now hopefully out of date?

Mr Haysom: That would be overstating it, I think.

Q61 Mr Bacon: That 300 number, this Report came out in October, what would it have been at the time of the Report, so seven months ago?

Mr Haysom: I do have a note of that somewhere.

Q62 Mr Bacon: A lot less, was it?

Mr Haysom: Yes, under half of that, and the thing to watch here is not just the number of colleges who are joining a consortium, but actually the thing we have really got to watch is the value of the spend that goes through there, so what we need them to do is not just join, but then to make sure that they are putting the purchasing for a whole range of commodities through there, and that is another big part of the task.

Q63 Mr Bacon: What is the ranking from the good guys to the less-well-performing ones? What is the ranking in terms of the proportion of their total spend which goes through a consortium?

Mr Taylor: I think that is very difficult to pin down because of different circumstances, but you will find that the light user might take, say, the stationery contracts, but not much else. The really clued-up college is probably taking advantage of IT hardware contracts and of, say, recent arrangements around insurance which can bring significant benefits to those colleges which have signed up and, as you get more and more sophisticated in the kind of commodity you are dealing with, it takes longer and more effort for the college to take advantage of the opportunity, but with insurance it is not simply a matter of switching from an existing insurer to the new insurer, it is kind of taking on board the different risk management systems that they need to apply, whereas for stationery the contract is really quite simple.

Q64 Mr Bacon: We found that OGCBuying.solutions, and we learned it not so long ago, I forget the exact percentage, but something like 85% of the framework agreements that worked out had hardly anything going through them and the vast majority of business that had been done was through a relatively small number of the agreements. Is that effectively how it is working here with these various consortia?

Mr Haysom: I think it is early days, is it not, as Ian says, but I think all of our experience would tell you that there are quick and easy wins and then it gets more difficult from that point on, so inevitably you are going to see a few commodity lines being exploited to begin with. I have to say, to get to that saving, I do not think we are going to need much more than just those few big wins across the whole piece. I think we will get there on that, but that of course will not be enough, which goes back to some of the very early questions as to whether the target should be greater, and I would say that we will be able to demonstrate very clearly that there is more to be had here once the lower-hanging fruit is taken.

¹ Ev 11–14

Department for Education and Skills & Learning and Skills Council

Mr Bacon: Thank you very much.

Q65 Chairman: Well, gentlemen, thank you very much. Often these hearings can be quite difficult, but I think it has been a very positive hearing and I think it shows the role the National Audit Office is in fact playing in Whitehall in trying to encourage good practice. Clearly, this case has been a bit of a

Cinderella area as far as governing bodies are concerned, so although £75 million may not be a very demanding target, if you can release £75 million, that is £75 million going back into education—

Mr Haysom: Absolutely.

Chairman:—which is a very important subject, and we are very grateful for what you have told us this afternoon. Thank you very much.

Supplementary memorandum submitted by the Learning and Skills Council

Question 56 (Mr Richard Bacon): **FE colleges who are not members of consortia**

<i>English Colleges not members of Educational consortia as at April 2007</i>	<i>Spend with OGC 2006-07</i>	<i>Learning And Skills Council</i>
<i>College Name</i>	<i>Region</i>	<i>Comment</i>
<i>College Name</i>	<i>Region</i>	<i>Address</i>
East Anglia		
Barnfield College	EA	£20,691
Luton Sixth Form College	EA	
Milton Keynes College	EA	
North Hertfordshire College	EA	£51,364
Paston College	EA	Use ESPO
Seevic College	EA	
Sixth Form College Colchester	EA	
South East Essex College	EA	£290,473
West Herts College	EA	£2,004
East Midlands		
Brooksby Melton College	EM	£1,039
Gateway Sixth Form College	EM	
Henley College Coventry	EM	£3,239
Moulton College	EM	£7,099
New College Nottingham	EM	£440,502
South East Derbyshire College	EM	£3,266
Stephenson College	EM	£261,713
Wyggeston and Queen Elizabeth I College	EM	£1,405
London		
Capel Manor College	L	£94,834
City of Westminster College	L	£50,218
College of North West London	L	£72,783
Sir George Monoux College	L	£336
Spelthorne College	L	
St Dominic's Sixth Form College	L	
North East		
Darlington College Of Technology	NE	£6,043

<i>English Colleges not members of Educational consortia as at April 2007</i>		<i>Spend with OGC 2006–07</i>		<i>Learning And Skills Council</i>	
<i>College Name</i>	<i>Region</i>		<i>Comment</i>	<i>Address</i>	
North West					
Ashton Under Lyne Sixth Form College	NW			Darnton Road	Ashton-under-Lyne OL6 9RL
Barrow In Furness Sixth Form College	NW	£965		Rating Lane	Barrow-in-Furness LA13 9LE
Riverside College Halton	NW	£9,368		Kingsway	Widnes WA8 7QQ
King George V College	NW	£11,018		Scaribrick New Road	Southport PR8 6LR
Knowsley Community College	NW	£8,853		Rupert Road	Roby L36 9TD
South East					
Alton College	SE		Hampshire 6th Form College	Alton	Hampshire GU34 2LX
Barton Peveril College	SE		Hampshire 6th Form College	Chestnut Avenue	Eastleigh SO50 5ZA
Basingstoke College of Technology	SE	£1,823		Worting Road	Basingstoke RG21 8TN
Bexhill College	SE	£11,070		Henland Road	Bexhill on Sea TN40 2JG
Bexley College	SE	£4,233		Tower Road	Belvedere DA17 6JA
Bracknell and Wokingham College	SE	£1,184		Church Road	Bracknell RG12 1DJ
Canterbury College	SE	£220,426		New Dover Road	Canterbury CT1 3AJ
Carshalton College	SE	£2,364		Nightingale Road	Carshalton SM5 2EJ
Cricklade College	SE	£807	merging with Sparsholt at present	Charlton Road	Andover SP10 1EJ
Eastleigh College	SE	£33,649		Chestnut Avenue	Eastleigh SO50 5FS
Fareham College	SE	£32,350		Bishopsfield Road	Fareham PO14 1NH
Farnham College	SE	£833		Morley Road	Farnham GU9 8LU
Godalming College	SE	£948		Tuesley Lane	Godalming GU7 1RS
Havant College	SE	£1,992	Hampshire 6th Form College	New Road	Havant PO9 1QL
Havering Sixth Form College	SE	£3,556	Hampshire 6th Form College	Ardleigh Green Road	Hornchurch
Itchen College	SE		Hampshire 6th Form College	Middle Road	Southampton SO19 7TB
Palmer's College	SE	£9,112		Chadwell Road	Grays
Queen Mary's College	SE	£7,887	Hampshire 6th Form College	Cliddesden Road	Basingstoke RG21 3HF
Ruskin College	SE			Walton Street	Oxford OX1 2HE
Southampton City College	SE			St Mary's Street	Southampton SO14 1AR
Sparsholt College	SE			Sparsholt	Winchester SO21 2NF
Thanet College	SE	£79,075		Ramsgate Road	Broadstairs CT10 1PN
The Sixth Form College Farnborough	SE	£47,006	Hampshire 6th Form College	Prospect Avenue	Farnborough GU14 8JX
Totton College	SE		Hampshire 6th Form College	Water Lane	Southampton SO40 3ZX
South West					
Cirencester College	SW	£1,196		Stroud Way	Cirencester GL7 1XA
St. Brendan's Sixth Form College	SW			Broomhill Road	Bristol BS4 5RQ
Swindon College	SW	£81,617		Regent Circus	Swindon SN1 1PT

<i>English Colleges not members of Educational consortia as at April 2007</i>	<i>Spend with OGC 2006–07</i>		<i>Learning And Skills Council</i>		
<i>College Name</i>	<i>Region</i>	<i>Comment</i>	<i>Address</i>		
West Midlands					
Birmingham College of Food, Tourism and Creative Studies	WM	£10,931	Summer Row	Birmingham	B3 1JB
Bournville College of Further Education	WM	£136,558	Dowland Close	Birmingham	B38 8QT
Ludlow College	WM	£1,436	Mill Street	Ludlow	SY8 1GU
North East					
Worcestershire College	WM	£171,888	Peakman Street	Bromsgrove	B60 1PQ
Pershore Group of Colleges	WM	£33	Pershore Campus	Pershore	WR10 3JP
Sandwell College	WM	£259,072	Smethwick Campus	Smethwick	B66 3BU
South Birmingham College	WM	£4,690	Cole Bank Rd	Hall Green	B28 8ES
Stourbridge College	WM	£14,162	Hagley Road	Stourbridge	DY8 1QU
Tamworth & Lichfield College	WM		Croft Street	Tamworth	B79 8AG
Telford College of Arts & Technology	WM	£2,770	Haybridge Road	Telford	TF1 2NP
Yorkshire & Humberside					
Dearne Valley College	YS	£5,500	Manvers Park	Rotherham	S63 7EW
Dewsbury College	YS	£31,728	Halifax Road	Dewsbury	WF13 2AS
John Leggott Sixth Form College	YS	£338	West Common Lane	Scunthorpe	DN17 1DS
Longley Park Sixth Form College	YS		Horninglow Road	Sheffield	S5 6SE
Northern College	YS		Wentworth College	Barnsley	S75 3ET
Notre Dame Sixth Form College	YS		St Mark's Avenue	Leeds	LS2 9BL
Wilberforce College	YS	£3,607	Salthouse Road	Hull	HU8 9HD
Yorkshire Coast College	YS		Lady Edith's Drive	Scarborough	YO12 5RN
Outstanding in England		75			

Educational Consortia included Crescent FE Purchasing Consortium and the University Consortia

Derived from information provided by Crescent and University consortia and OGC Buying Solutions.
Hampshire 6th form colleges do collaborate to purchase some commodities.
ESPO = Eastern Shires Purchasing Organisation.

POINTS TO NOTE:

- The LSC FE procurement development team is contacting each of the colleges listed to discuss reasons for non-membership and identify the opportunities which could accrue from membership. This also includes advice on collaborative Energy procurement which was mentioned at the hearing.
 - The team is working with the consortia and colleges to increase the usage of available contracts as membership is only the starting point. All colleges have opportunities to increase use of consortia contracts.
 - The LSC team has started working with colleges on a Price Benchmarking programme to compare local deals with consortia contracts. The resulting data is used to evidence the benefits of changing to consortia arrangements or where local arrangements are found to be better provide feedback to the consortia that they should seek to improve their arrangements.
 - Some colleges do use local authority or OGCBuying.solutions contracts for some commodities, where this is known this is identified.
 - The LSC team has established 19 regional procurement network groups. The team is encouraging and supporting colleges to procure collaboratively commodities not covered by consortia contracts. Examples include Waste and Recycling services in the West Midlands and Electronic Document storage for the Midlands and South Yorkshire groups.
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