



**POLICY AND RESOURCES SCRUTINY COMMITTEE –
20TH JANUARY 2009**

**SUBJECT: DIRECTORATE OF EDUCATION & LEISURE PROCUREMENT –
UPDATE & FORWARD PLAN**

REPORT BY: DIRECTOR OF CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise P&R Scrutiny of the position in relation to Education and Leisure contracts as at 01 November 2008.
- 1.2 To inform P&R Scrutiny of the changes in staff structure and progress of that team since coming into post on 01 August 2008.
- 1.3 To identify and prioritise future decisions and plans.
- 1.4 To inform P&R Scrutiny of the risk associated with the current situation and how those risks can be managed in the future.
- 1.5 To inform P&R Scrutiny of any financial implications in relation to the current situation and future plans.

2. SUMMARY

- 2.1 A team of two Procurement Professionals have been employed within the Directorate of Education and Leisure since 01 August 2008. The team consists of one Principal Procurement Officer supported by one Procurement Officer.
- 2.2 The Procurement activity spans across each service area within the directorate of Education & Leisure and includes Learning, Education and Inclusion, Lifelong Learning and Leisure and Planning and Strategy.
- 2.3 The contracts covered are diverse and challenging in providing goods, works and services internally to the directorate of Education & leisure and also to Schools. The main focus of the procurement team will be to establish working relationships with key officers within the Directorate and Property services to ensure the best possible procurement options are being considered and that the authority maximizes its use of collaboration and development of the supply chain.
- 2.4 The team will also, where possible, evaluate the option of collaborating with other contracting bodies such as the Office of Government Commerce, Value Wales Procurement and the Welsh Purchasing Consortium with a view to achieving efficiency savings, both cash releasing and process improvement.

3. LINKS TO STRATEGY

- 3.1 The detail and recommendations link into the aims of the Education & Leisure Directorate to raise standards for everyone by working in partnership with schools, partner organizations and the community through inclusion, lifelong learning and well-being policies – for all for life.
- 3.2 The report also links into the core aims and objectives of the Authority by recommending a planned and consistent approach to the whole of Education & Leisure contracting for the future. This will allow the development of secure, cost effective, sustainable supply chains.
- 3.3 Reduce risk to the authority in terms of Financial Risk Management and contract compliance.

4. THE REPORT

- 4.1 The Procurement team is structured on a Strategic Lead Action Network approach, which will facilitate Procurement Professionals in each Directorate being lead strategic procurement options from the centre. As a result Officers from the corporate procurement team are now established within the Education & Leisure directorate, reporting directly to the Contracts Manager, Procurement Services whilst liaising with key personnel within the education and leisure directorate.
- 4.2 The Education and Leisure Directorate Procurement Team currently administer twenty-one contracts on behalf of the Directorate and other areas within the Authority at an estimated annual value of circa £24 million.
- 4.3 All service areas within the directorate have provided contract information and the following summary (appendix a) gives an overview of the contract commitment, identified to date along with details of how contracts will be delivered and developed in the future.

5. LEARNING, EDUCATION AND INCLUSION

- 5.1 Eight contracts exist with an estimated value of over £1 million per annum. This includes a learning pathways agreement interlinking schools and colleges worth circa £400,000.00 per annum.
- 5.2 Procurement officers will work closely with officers within learning, education and inclusion to evaluate current requirements, undertake the necessary options appraisal and develop a future strategy to ensure compliance and best value. Procurement officers will explore every opportunity for collaboration and identification of potential efficiency savings.

6. LIFELONG LEARNING AND LEISURE

- 6.1 There are currently five period contracts in place for Lifelong, Learning and Leisure with an estimated annual value of £430,000.00. Each of these contracts has been subject to formal procurement processes and are therefore fully compliant with procurement legislation and internal contract standing orders.
- 6.2 It has also been identified that twenty-five, one-off purchase contracts are currently on going within the service area, which equate to an estimated value of £1.3 million. To date, Procurement Services has had no involvement in these arrangements, further investigations will be undertaken to ensure that the necessary procurement processes have been undertaken.

- 6.3 Eight library conversions/refurbishments have been identified for the next five years. In order to capitalise on economies of scale, and build long-term synergies with contractors a framework arrangement will be undertaken to cover these requirements.

7. PLANNING & STRATEGY

- 7.1 There are currently ten period contracts in place for the Planning & Strategy. The value of the ten contracts is over £6.5 million per annum. All of these contracts have been subject to a formal procurement process.
- 7/2 There has been a programme of on-going capital works identified for Planning & Strategy (Appendix A). Procurement Services has had no involvement in these contracts to date, Officers will liaise with Property Services to establish if assistance is required.

8. SCHOOLS

- 8.1 Over the past two years a considerable amount of work has been carried out with school to promote the use of corporate contracts. The Schools Revenue Project implemented by The Welsh Assembly Government has supported this. The Principal Procurement Officer responsible for Education has in conjunction with Value Wales attended cluster group meetings, head teacher meetings and forums and annual governors events in order to highlight the procurement support and guidance available to schools and also to promote the benefits of using corporate contract.
- 8.2 This is seen as very much the start of our work with schools. It is intended to support the schools further next year with information and spend analysis, which will identify key areas for efficiency. The authority will also need to address the issue of the implementation of the Xchangewales procurement programme into the schools environment. The options development in this area will be subject to an additional report early in the New Year.

9. PROGRESS TO DATE & WORK IN PROGRESS

- 9.1 Some progress has been made within the education and leisure directorate, with contracts that previously had not been subject to a formal procurement process now having undergone a procurement process. In some areas of the business, the supply base appears underdeveloped, therefore prior to any procurement exercise procurement officers and the supplier relationship officer will inform the supply base of the procurement opportunities and provide training as required.
- 9.2 Currently, officers are working together to develop an enhanced service specification for school transport (schools bus contracts). Through dialogue with current contractors, it has been established that the current practices are not sustainable for the authority and contractors and therefore the authority will be undertaking the procurement process for an enhanced service specification, which will include upgrade in vehicle quality, age and emission standards. It is proposed that the authority will no longer contract on a yearly basis but enter into longer-term contracts dependant on age of vehicles. It is envisaged that this approach will provide an incentive to providers to invest in their fleet and provide more acceptable vehicles, which will have a positive sustainable impact.

10. PRIORITIES

- 10.1 It is essential that the progress to date continues and that contract compliance and efficiency savings are achieved wherever possible. A high percentage of spend undertaken within this directorate consists of transport costs. As detailed within the report, Officers have already

started to review and develop new ways of working in relation to Transport. This coincides with reports and reviews by the Welsh Assembly Government. Officers will ensure that transport contracts remain a priority area and that any recommendations from WAG are included in our thought process and delivery plans.

- 10.2 All new contracts will be undertaken incorporating sustainable and environmental factors, which will include a proactive approach to inclusion of Small Medium-size Enterprises and the voluntary sector.
- 10.3 A recent publication by the Welsh Assembly Government has highlighted the benefits of schools using their procurement units for their purchasing needs. The authority will continue to work with the Value Wales in communicating the message of effective procurement and schools will continue to be a priority area, with an emphasis on process improvement and efficiency savings. Areas such as utilizing procurement cards for low value operational spend and exploring other process improvement tools such as e-procurement will be reviewed early next year.
- 10.4 The Education & Leisure Procurement team will also carry out a review of arrangements to evaluate opportunities for collaboration within the Welsh Public Sector.

11. FINANCIAL IMPLICATIONS

- 11.1 The present volatile nature of the world economy continues to increase prices for the majority of goods, works and services. Therefore, an increasing level of vigilance must be maintained and thorough investigations undertaken of particular markets when variances are received and new contracts undertaken.
- 11.2 It is also important that we identify that departments have allocated budgets for contracts prior to any procurement process. In order to ensure this, the procurement team will work closely with the service area accountant to ensure that the budget is available, and any efficiencies are recorded accurately using the Value Wales measurement tool.

12. FUTURE STRATEGY

- 12.1 Compliance with standing orders for contracts and EU legislation for this directorate varies across service area. In order to ensure that our third party spend is being utilized to its full potential, Officers will carry out a detailed spend analysis to identify areas of non compliance and areas of opportunities for collaboration and efficiency savings. Areas of spend will be identified that could be potentially undertaken as collaborative arrangements with organizations such as Value Wales, Welsh Purchasing Consortium and the Office of Government Commerce (OGC). In the event that no collaboration is possible Officers will work in conjunction with the client department to investigate innovative or alternative ways of working in accordance with EU legislation and the Authority's Standing Orders for Contracts to bring about delivery of better public services which demonstrates value for money.
- 12.2 Addressing environmental and sustainability issues will be a key priority. Officers will ensure wherever possible environmentally friendly materials and products are utilised and suppliers will be encouraged through specifications, to investigate and introduce environmentally friendly goods and services. There will also be close working relationships formed with key environmental and energy officers to ensure internal departments, and in particular schools are aware of collaborative energy frameworks, solutions for recommended energy saving assets and access to price benchmarking research. The options available in this area will be subject to an additional report in the next six months.

13. PROCESS IMPROVEMENT

- 13.1 The authority has already implemented the use of the Welsh purchasing card and e-procurement, Officers will review the current use within the directorate and where possible, implement procurement cards and e-procurement to bring process improve to business operations. This will significantly reduce purchase order and invoice processing transactions and significantly reduce transaction-processing costs. The National Audit Office has accepted that public sector bodies can typically save £28.00 per transaction by utilizing a procurement card.
- 13.2 Over the years there has been many review and reports, which have highlighted the need to realize back-office efficiencies through replacing manual administrative processes. Consolidated invoicing is a mechanism for this, producing a single invoice for multiple orders and deliveries of goods or services. As part of the current xchangewales implementation officers will investigate the opportunities for consolidated invoices within education and leisure Directorate.

14. PERSONNEL IMPLICATIONS

- 14.1 There are no direct personnel implications associated with this report, however, should the authority wish to change its delivery mechanism for services such as outsource any areas of the business or change service provider then there could potentially be TUPE implications. This will be addressed on a contract-by-contract basis.

15. CONSULTATIONS

- 15.1 Consultation has taken place and comments have been reflected in this report.

16. RECOMMENDATIONS

- 16.1 That members note the current situation regarding contract arrangements within the Education & Leisure directorate.
- 16.2 That members note the progress to date and the financial implications associated with current committed contracts.

17. REASONS FOR THE RECOMMENDATIONS

- 17.1 To ensure Corporate Compliance of Education & Leisure Contracts.

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