

9. VALUE FOR MONEY AND PROCUREMENT

- 9.1 Estates and IT both involve large scale procurement, often entailing medium or long term financial commitments. As a governor you will be concerned about both, and perhaps the starting point should be the need to ensure value for money (VfM), particularly where expenditure is high. In some areas, this is a straightforward matter of market testing, but in both estates and IT there will always be a need in VfM terms to make decisions on a spectrum stretching from entirely in house provision to entirely out sourced.
- 9.2 In some areas - say lift maintenance - an HEI is likely simply to have a maintenance contract (subject, of course, to proper procurement and VfM tests). As a governor, in such cases you will probably have little or no input - the procurement procedures will have been approved by the governing body, which can thus be confident that they are fit for purpose. The procedures should, of course, be reviewed from time to time.
- 9.3 In other areas - security being a familiar example - there is likely to be a similar choice between in house provision and external contracting. Whichever option is chosen, the service should be assessed periodically against the market to ensure VfM. When the service is external, this will usually be a straightforward process when a contract approaches its end or renewal point. When the service is internal, it should still be assessed: normally at least every seven years, but more regularly might be appropriate. Since this inevitably causes anxiety among the staff concerned, it is important that this is seen as part of a normal review process, not a threat. This is of course a management matter, but as a governor you may need to be aware that when such issues are addressed there may be some background noise, or in extreme cases some pretty vigorous axe grinding.
- 9.4 In some other areas, procurements decisions may be less clear cut. HEIs will want their own maintenance staff to deal with routine work, but even that may sometimes peak to an extent that cannot be absorbed in house. Certainly there will be times when external contractors will be needed, for instance large scale refurbishment. The VfM issue here is a matter of establishing the optimum balance between in house and contracted work. Although it calls for a more elaborate and perhaps more speculative assessment, this should nonetheless be regular.
- 9.5 There are equivalent issues in IT. In some HEIs there have been moves to out source large areas of IT entirely, and there is an important policy issue here. The integrity of student or financial records is essential for all HEIs, so decisions to outsource such provision should be subject not just to rigorous VfM scrutiny but also to stringent risk assessment procedures.
- 9.6 The more common debates in IT are about whether to buy off the shelf IT packages, to develop them in house, or to seek a point between the two where a package which is commercially available is customised to accommodate institutional needs. It is worth noting here that, although the requirements of HEIs have many similarities, attempts to develop generic software have not been a great success. However, increased attention to shared services by the government and funding councils may

call into question current arrangements. At the time of writing the discussion of shared services has not progressed far in many HEIs (partially inhibited by the addition of VAT to shared service arrangements), but the approach has been extensively used in the public sector, and it may be hard to argue that it could not equally be applied to higher education. If it does, some of the received ideas relating to institutional autonomy and what goes with it will need to be reconsidered, and the board will have a central role in the debate.

- 9.7 Whatever choices are made about IT procurement, there are common themes, relating perhaps to the 'value' rather than the 'money' element of VfM. Failures in computing systems in all sectors are notorious, at least partly because of an absence of fitness for purpose, and a frequent unwillingness to match IT systems with business practices. So, just as VfM tests are important in estates (but will create a degree of anxiety that will have to be managed) so there is a need to ensure that staff are on board if IT initiatives are to bring the benefits they should. Operationally this is not an issue for governors, but you will want to be assured that such factors have been taken into account in any VfM assessments.
- 9.8 Assessing VfM in these areas can be problematic, and it goes without saying that 'best VfM' does not necessarily mean 'cheapest'. Few governors will have the knowledge to assess the benefits of the IT systems for which a need is argued, and it is not their job to do so. Nevertheless, they need to be assured that a rigorous business case can be made. To take just one example, modern student records systems are now required to maintain an ever growing database without which a large modern HEI simply cannot function. On the other hand, it is not surprising if the argument for a new student system is met with some scepticism, particularly if the justification includes the argument that the only alternative is to recruit more staff!
- 9.9 Governors will want to be in a position to assure themselves that those responsible for a proposal have gone through the necessary processes. So in looking at major procurement proposals, a board might ask the following questions:
- What will happen that shouldn't happen, or won't happen that should happen, if the institution does not commit to this initiative? What are the risks involved in undertaking it?
 - How has the need for the initiative been identified?
 - What is its cost benefit?
 - How have the proponents of the activity assessed that this is the most cost effective way of meeting the needs?

To an extent, such questions may be addressed through approval of strategic plans. But there will be a need for a more detailed look at the constituent parts of the strategy, whether as part of a project approval process or not.

- 9.10 The formal aspects of procurement may suddenly seem rather more straightforward than this. At the highest values (in round figures, goods over £128,000 or works over £3.6m), it is necessary to comply with EU procedures. In such cases, the requirements must be advertised in the 'Official Journal of the European Communities' (OJEC). The procedures also set out the timescales that must be adhered to: this means that it is inevitably quite a lengthy process.

- 9.11 Below these financial limits, an HEI's financial regulations will indicate the procedures to be followed (see the separate volume in this series on finance). In either case, ensuring that the tender specification is correct is an essential management task. This again underlines the importance of governors supporting the development of strategies and project plans in ways that assist the process of defining specifications. If that is achieved, the process should be straightforward provided that procedures are followed.
- 9.12 One of the thorny issues of procurement relates to the contracts for power. Prices can move quite rapidly (and historically not always upwards), so there can be a tension between the normal procurement process and achieving best value for money. In such cases, it would be expected that the chair of the governing body (or perhaps its finance committee) might act on behalf of the board to waive normal procurement procedures. It would, of course remain necessary to comply with EU regulations and be able to defend the action as good practice if it were challenged by another supplier.

Self-challenge questions

- How is the value for money of estates and IT provision in your HEI judged by your governing body?
- How is the governing body involved in and/or informed of the outcome of value for money studies in estates and IT?
- How does the governing body assure itself that procurement processes for estates and infrastructure comply with legal requirements, your HEI's own regulations, and general good practice?
- What links exist between the outcomes of value for money studies, the strategic planning processes, and project management processes?